ALGERNON PHARMACEUTICALS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three and nine months ended May 31, 2023.

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

As at	Note	May 31, 2023	August 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	*4*	$ 434,234	$ 1,408,509
Accounts receivable	*4,5*	71,321	665,529
Prepaid expenses	*6,10*	81,450	753,060
Total current assets		587,005	2,827,098
Non-current assets			
Restricted cash equivalents	*4,7*	57,500	57,500
Deferred share issue costs	*9*	196,972	-
Intangible assets	*8*	5,294,055	5,256,159
Total non-current assets		5,548,527	5,313,659
TOTAL ASSETS		$ 6,135,532	$ 8,140,757
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*4,10*	$ 2,414,375	$ 2,516,099
Total liabilities		2,414,375	2,516,099
Shareholders' equity			
Share capital	*9*	28,012,216	27,115,383
Reserves	*9*	3,920,572	3,733,188
Accumulated other comprehensive loss		(34,396)	(37,026)
Deficit		(28,177,235)	(25,186,887)
Total shareholders' equity		3,721,157	5,624,658
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 6,135,532	$ 8,140,757

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

Approved on behalf of the Board:

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

"Harry Bloomfield" (signed)
Harry Bloomfield
Director

ALGERNON PHARMACEUTICALS INC.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended May 31, 2023	Three months ended May 31, 2022	Nine months ended May 31, 2023	Nine months ended May 31, 2022
EXPENSES					
General and administrative	*8, 10*	$ 58,822	$ 49,822	$ 186,639	$ 202,423
Marketing		155,547	123,050	1,043,005	390,016
Professional fees	*10*	28,652	288,474	232,119	688,602
Research and development	*5, 8, 10*	460,576	87,234	906,802	1,478,756
Salaries and Benefits	*10*	164,958	182,247	525,161	583,240
Share-based payments	*9, 10*	194,102	14,312	1,187,023	301,980
Shareholder communications		65,373	56,027	175,396	193,776
		1,128,030	801,166	4,256,145	3,838,793
Interest income		(734)	(550)	(1,336)	(1,614)
Net loss for the period		1,127,296	800,161	4,254,809	3,837,179
OTHER COMPREHENSIVE LOSS					
Item not classified into profit or loss:					
Foreign exchange (gain) loss on translation to reporting currency		(13,250)	(617)	(2,630)	24,180
Comprehensive loss for the period		$ 1,114,046	$ 799,999	$ 4,252,179	$ 3,861,359
Loss per common share					
Basic and fully diluted		$ 0.10	$ 0.12	$ 0.42	$ 0.58
Weighted average number of common shares outstanding		11,099,688	6,699,472	10,081,543	6,699,472

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

ALGERNON PHARMACEUTICALS INC.

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

Nine months ended May 31	2023	2022
OPERATING ACTIVITIES		
Net loss for the period	$ (4,254,809)	$ (3,837,179)
Items not involving cash		
Share-based payments (note 10)	1,187,023	301,980
Amortization of intangible assets (note 8)	37,059	6,554
Unrealized foreign exchange loss	60,299	(23,388)
	(2,970,428)	(3,552,033)
Changes in non-cash operating working capital		
Accounts receivable	593,019	1,778,198
Prepaid expenses	671,610	27,458
Accounts payable and accrued liabilities	(274,502)	305,252
	(1,980,301)	(1,441,125)
INVESTING ACTIVITY		
Additions of intangible assets	(53,919)	(95,543)
	(53,919)	(95,543)
FINANCING ACTIVITIES		
Proceeds from shares issued for cash, net of financing costs (Rights Offering)	1,054,201	-
Proceeds from warrants exercised	102,929	-
Proceeds from shares issued for cash, net of financing costs (ATM)	4,525	-
Deferred share issue costs	(101,911)	-
	1,059,744	-
Effect of exchange rate fluctuations on cash held	201	(1,654)
Decrease in cash and cash equivalents	(974,275)	(1,538,322)
Cash and cash equivalents, beginning of period	1,408,509	2,411,163
Cash and cash equivalents, end of period	$ 434,234	$ 872,841
Cash and cash equivalents are comprised of:		
Guaranteed Investment Certificates	$ -	$ 600,000
Cash	434,234	272,841
	$ 434,234	$ 872,841
Supplemental cash flow information		
Non-cash investing and financing activities:		
Intangible assets included in accounts payable and accrued liabilities	$ 51,311	$ 28,257
Deferred share issue costs included in accounts payable and accrued liabilities	$ 95,061	$ -
Fair value of warrants exercised	$ 22,452	$ -
Fair value of warrants expired	$ 1,069,286	$ 3,490,164
Fair value of stock option expired	$ 195,175	$ 778,430
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

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

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

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	**Total**
Balance at August 31, 2021	6,699,472	$ 25,849,846	$ 6,826,581	$ (14,764)	$ (23,546,345)	$ 9,115,318
Expiration of stock options	-	-	(778,430)	-	778,430	-
Expiration of warrants	-	-	(3,490,164)	-	3,490,164	-
Share-based payments	-	-	301,980	-	-	301,980
Other comprehensive loss	-	-	-	(24,180)	-	(24,180)
Net loss for the period	-	-	-	-	(3,837,179)	(3,837,179)
Balance at May 31, 2022	**6,699,472**	**$ 25,849,846**	**$ 2,859,967**	**$ (38,944)**	**$ (23,114,930)**	**$ 5,555,939**

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	**Total**
Balance at August 31, 2022	9,431,472	$ 27,115,383	$ 3,733,188	$ (37,026)	$ (25,186,887)	$ 5,624,658
Shares issued for cash, net of financing costs (ATM)	8,400	4,525	-	-	-	4,525
Units issued for cash, net of financing costs (Rights Offering)	4,883,769	618,847	435,354	-	-	1,054,201
Exercise of warrants	109,788	125,381	(22,452)	-	-	102,929
Settlement of restricted share units	117,328	148,080	(148,080)	-	-	-
Expiration of stock options	-	-	(195,175)	-	195,175	-
Expiration of warrants	-	-	(1,069,286)	-	1,069,286	-
Share-based payments	-	-	1,187,023	-	-	1,187,023
Other comprehensive loss	-	-	-	2,630	-	2,630
Net loss for the period	-	-	-	-	(4,254,809)	(4,254,809)
Balance at May 31, 2023	**14,550,757**	**$ 28,012,216**	**$ 3,920,572**	**$ (34,396)**	**$ (28,177,235)**	**$ 3,721,157**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On November 23, 2021, the Company consolidated all of its issued and outstanding common shares on the basis of 100 to 1. Unless otherwise noted, all share, options and warrants, and restricted share unit ("RSU") information have been retroactively adjusted to reflect this consolidation.

On March 3, 2023, the Company completed a forward split all of its issued and outstanding common shares on the basis of 4 to 1. Unless otherwise noted, all share, options and warrants, and RSU information have been retroactively adjusted to reflect this forward split.

Algernon is a drug re-purposing company that investigates safe, already approved drugs for multiple new disease applications, moving them efficiently and safely into new human clinical trials. The Company's lead compound is a drug called Ifenprodil which is being investigated in clinical trials for idiopathic pulmonary fibrosis ("IPF") and chronic cough.

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

AGN Neuro has filed a Form 1-A offering statement with the U.S. Securities and Exchange Commission (the "SEC"), and has obtained qualification from the SEC to raise up to USD $10 million for AGN Neuro by offering up to 37.5% of its common shares, (including the maximum amount of bonus shares offered under the offering statement) under a Tier II Regulation A+ offering.

As at May 31, 2023, the Company has an accumulated deficit of $28,177,235 (August 31, 2022 - $25,186,887) and for the nine-month period then ended incurred a net loss of $4,254,809 (May 31, 2022 - $3,837,179). The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed interim consolidated financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Impact of COVID-19 (continued)

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and physical distancing, caused material disruption to business globally resulting in an economic slowdown. Global equity markets continue to experience significant volatility and weakness.

The duration and impact of the COVID-19 outbreak is unknown as to how it would impact the Company’s operations. COVID-19 restrictions in Australia led to temporary site closures and delays in patient screening/enrolment. With recent widespread adoption of vaccination, these restrictions were lifted, however future site closures in jurisdictions where the Company is conducting clinical trials could result in delays in patient enrolment and screening ultimately delaying the completion of clinical research and development..

It is currently not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended August 31, 2022, except that they do not include all the disclosures required for the annual audited financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended August 31, 2022.

(b) Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the nine-month period ended May 31, 2023 were approved and authorized for issuance by the Board of Directors on July 27, 2023.

2. BASIS OF PRESENTATION (continued)

(c) Foreign currencies (continued)

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

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

(d) Use of accounting estimates and judgements

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

Deferred income taxes

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the condensed interim consolidated financial statements.

Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models such as the Geske option pricing model for equity instruments involving compound options that incorporate market data and involve uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate. The Company estimates volatility based on the Company's historical share prices, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility.

2. BASIS OF PRESENTATION (continued)

(d) Use of accounting estimates and judgements (continued)

Intangible assets – Treatment and Recoverability

Following initial recognition, the Company carries the value of the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value.

Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset.

Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of research results, as well as the Company's financial ability to continue sales activities and operations.

At each reporting date, the Company assesses if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.

Intangible assets – Assessment of Useful Life

Intangible assets acquired as a part of the acquisition of Nash Pharma are intangible assets with a finite life that are not available for use. On an annual basis, intangible assets with finite life are reviewed for impairment and the Company impairs or writes off intangible assets when it abandons a drug or determine an amortization policy when a compound is approved.

Qualified research and development expenses

In determining whether the R&D expenses incurred in Australia qualify for the Australian R&D tax credit, the Company must use judgment in assessing whether expenses incurred meet the criteria set forth by the Australian Government. These criteria include, but are not limited to, whether the expenditure was incurred on R&D activities, whether the expense was incurred to acquire or construct a building, and whether the expense relates to a decline in value of depreciating assets used in R&D activities.

Determination of the functional currency

In concluding that the Canadian dollar is the functional currency of Algernon, Nash Pharma, and AGN Neuro, and the Australian dollar is the functional currency of AGN Research, management considered the currency that mainly influences the cost of providing goods and services in the primary economic environment in which each entity operates, or if there has been a change in events or conditions that determined the primary economic environment.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

All intercompany transactions and balances have been eliminated on consolidation.

Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

Liquidity risk

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

At May 31, 2023, the Company had a working capital deficit of $1,827,370 compared to working capital at August 31, 2022 of $310,999. This included cash and cash equivalents of $434,234 (August 31, 2022 - $1,408,509) available to meet short-term business requirements and current liabilities of $2,414,375 (August 31, 2022 - $2,516,099).

Market risk

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

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of the short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents and restricted cash equivalents. Restricted cash equivalents consists of GICs held at banking institutions that bear interest prime less 2.90% (August 31, 2022 - 2.65%) and mature one year from the purchase date.

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

c) Foreign currency risk

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

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

As at May 31, 2023, the Company had monetary assets of US$4,206 or $5,721 (August 31, 2022 - US$29,841 or $39,125) at the CAD$ equivalent and monetary liabilities of US$482,165 or $655,889 (August 31, 2022 - US$508,797 or $667,084) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US$ by 10% will increase or decrease comprehensive loss by approximately $65,017 (August 31, 2022 - $62,796).

As at May 31, 2023, the Company had monetary assets of AUD$68,945 or $60,768 (August 31, 2022 - AUD$698,522 or $627,832) at the CAD$ equivalent and monetary liabilities of AUD$469,189 or $413,544 (August 31, 2022 - AUD$668,260 or $600,632) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in AUD$ by 10% will increase or decrease comprehensive loss by approximately $35,278 (August 31, 2022 - $2,720).

As at May 31, 2023, the Company had monetary liabilities of $316,863 Euros or $459,800 (August 31, 2022 - $161,764 Euros or $212,898) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the Euro by 10% will increase or decrease comprehensive loss by approximately $45,980 (August 31, 2022 - $21,290).

As at May 31, 2023, the Company had monetary liabilities of GBP$66,639 or $112,366 (August 31, 2022 - GBP$120,000 or $182,892) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the GBP by 10% will increase or decrease comprehensive loss by approximately $11,237 (August 31, 2022 - $18,289).

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

c) Foreign currency risk (continued)

As at May 31, 2023, the Company had monetary liabilities of $114,900 Krona or $14,351 (August 31, 2022 – $nil Krona or $nil) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the Krona by 10% will increase or decrease comprehensive loss by approximately $1,435 (August 31, 2022 - $nil).

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

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Financial Assets	Financial Assets	Financial Liabilities
	Fair Value Through Profit	Measured at Amortized Cost	Measured at Amortized Cost
May 31, 2023			
Cash and cash equivalents	$ 434,234	$ -	$ -
Restricted cash equivalents	57,500	-	-
Accounts receivable	-	255	-
Accounts payable and accrued liabilities	$ -	$ -	$ (2,414,375)

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value (continued)

		Financial Assets		Loans and Receivables		Financial Liabilities
		Fair Value Through Profit		Measured at Amortized Cost		Measured at Amortized Cost
August 31, 2022						
Cash and cash equivalents	$	1,408,509	$	-	$	-
Restricted cash equivalents		57,500		-		-
Accounts receivable		-		481		-
Accounts payable and accrued liabilities	$	-	$	-	$	(2,516,099)

5. ACCOUNTS RECEIVABLE

		May 31, 2023		August 31, 2022
Accrued interest receivable	$	255	$	481
GST receivable		10,811		128,296
Other receivable(1)		60,255		536,752
	$	71,321	$	665,529

(1) The Australia R&D tax credit allows qualifying companies to receive a cash refund at 43.5% of the eligible R&D expenditure connected to R&D activities undertaken in Australia. As at May 31, 2023, cash refundable of $60,255 (August 31, 2022 - $536,752) is recognized as a recovery of R&D expenditures over the relevant periods to match it with the related expenditures.

6. PREPAID EXPENSES

		May 31, 2023		August 31, 2022
Board of directors' fees	$	-	$	32,132
Conferences		-		5,037
Consulting		-		859
Marketing(1)		31,922		676,252
Office and general		13,113		8,633
Professional fees – legal retainer		-		1,584
Research and development		14,802		14,670
Shareholders communications		21,613		13,893
	$	81,450	$	753,060

(1) On July 4, 2022, the Company entered into a twelve-month marketing agreement with a third party for $200,000 USD, whose founder participated in the Company's Unit offering completed on July 4, 2022 for 410,800 units at a price of $0.94 per unit for total proceeds of $385,125. As at May 31, 2023, there is $23,515 recorded within prepaid expenses pertaining to this contract (August 31, 2022 - $245,470).

7. RESTRICTED CASH EQUIVALENTS

As at May 31, 2023 and August 31, 2022, the Company classified $57,500 as restricted cash equivalents. This amount is held as collateral for the Company's corporate credit cards and is invested in GICs at a rate of prime less 2.90% (August 31, 2022 – 2.65%).

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	In-licensed Patents(3)	Patent Application Costs(4)	Total
Cost					
Balance, August 31, 2021	$ 4,862,756	$ 14,432	$ -	$ 293,683	$ 5,170,871
Additions	-	1,291	50,292	105,120	156,703
Write-downs	-	-	-	(36,479)	(36,479)
Balance, August 31, 2022	$ 4,862,756	$ 15,723	$ 50,292	$ 362,324	$ 5,291,095
Additions	-	1,129	-	73,826	74,955
Balance, May 31, 2023	**$ 4,862,756**	**$ 16,852**	**$ 50,292**	**$ 436,150**	**$ 5,366,050**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	In-licensed Patents(3)	Patent Application Costs(4)	Total
Accumulated Amortization					
Balance, August 31, 2021	$ -	$ -	$ -	$ -	$ -
Amortization	-	(1,572)	(9,598)	(23,766)	(34,936)
Balance, August 31, 2022	$ -	$ (1,572)	$ (9,598)	$ (23,766)	$ (34,936)
Amortization	-	(1,203)	(15,599)	(20,257)	(37,059)
Balance, May 31, 2023	**$ -**	**$ (2,775)**	**$ (25,197)**	**$ (44,023)**	**$ (71,995)**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	In-licensed Patents(3)	Patent Application Costs(4)	Total
Net Book Value					
Balance August 31, 2022	$ 4,862,756	$ 14,151	$ 40,694	$ 338,558	$ 5,256,159
Balance, May 31, 2023	**$ 4,862,756**	**$ 14,077**	**$ 25,095**	**$ 392,127**	**$ 5,294,055**

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

(2) The Company has filed trademark applications for the name “ALGERNON”. During the year ended August 31, 2022, the Company changed its estimate in relation to the useful life of trademarks and began to amortize the trademarks over their estimated useful life of ten years. The Company recorded $1,203 of amortization within general and administrative expenses on the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended May 31, 2023 (2022 - $nil).

(3) The Company in-licensed an issued patent relating its oncology program, for payments including up-front and annual license fees and patent filing costs reimbursed and is amortizing the patents based on its estimated useful life of 4.75 years. The Company recorded $15,599 of amortization within research and development expenses on the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended May 31, 2023 (2022 - $6,554).

(4) The Company has filed new method of use patents for lead compounds for treatment of six new disease areas: NASH, CKD, IBD, IPF, chronic cough and stroke. In addition to method of use, the applications for the stroke lead compounds also includes claims for composition of matter as well as formulations, dosages and devices. The likelihood of the application success is not known. During the year ended August 31, 2022, the Company changed its estimate in relation to the useful life of patent application costs and began to amortize these costs over their remaining estimated useful life representing the remaining months to expiration of the associated patent. The Company recorded $20,257 of amortization within research and development expenses on the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended May 31, 2023 (2022 - $nil).

9. SHARE CAPITAL AND RESERVES

Share capital

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at May 31, 2023, there were 14,550,757 (August 31, 2022 – 9,431,472) common shares issued and outstanding. Details of common shares are as follows:

During the nine-month period ended May 31, 2023:

On May 5, 2023, the Company closed a rights offering which expired on April 27, 2023 (the “Rights Offering”). At closing, the Company issued 4,753,369 units (the “Rights Offering Units”) at the subscription price of $0.25 per Rights Offering Unit for total gross proceeds of approximately $1,188,342. Each Rights Offering Unit consists of one common share and one common share purchase warrant (a “Rights Offering Warrant”), with each Rights Offering Warrant being exercisable for one common share at the exercise price of $0.52 until November 5, 2024, subject to acceleration to a date that is not less than 30 days following delivery of an acceleration notice to the holders of the Rights Offering Warrants if the volume weighted average price of the Shares for each of the ten consecutive trading days on the Canadian Securities Exchange exceeds $1.04.

Pursuant to a dealer manager agreement entered into by the Company with the soliciting dealer (the “Soliciting Dealer”), the Company paid the Soliciting Dealer a cash fee of $42,292, of which $10,000 of the fee was settled by way of the issuance of 40,000 Rights Offering Units, and a corporate finance fee of $22,600, which was settled by way of the issuance of 90,400 Rights Offering Units.

The fair value of the Rights Offering Warrants issued under the rights offering and the warrants issued as part of the Rights Offering Units to the Soliciting Dealer as payment of the cash fee and corporate finance fee were valued using the relative fair value approach and the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of $0.25, exercise price of the warrant of $0.52; expected life of 18 months; expected volatility of 112.09%; risk-free rate of return of 3.70%; and expected dividend yield of 0%. The fair value of the Rights Offering Warrants was determined to be $397,748 and the fair value of the warrants issued as part of the Rights Offering Units to the Soliciting Dealer was determined to be $10,912.

The Company also issued to the Soliciting Dealer 165,166 Soliciting Dealer warrants (the “Soliciting Dealer Warrants”). Each Soliciting Dealer Warrant is exercisable for one Rights Offering Unit at the exercise price of $0.25 until November 5, 2024. The fair value of the Soliciting Dealer Warrants were recorded as a reduction in the value of the shares issued as share issuance costs.

The fair value of the Soliciting Dealer Warrants were valued using the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of $0.25, exercise price of the warrant of $0.25; expected life of 18 months; expected volatility of 112.09%; risk-free rate of return of 3.70%; and expected dividend yield of 0%. The fair value of the Soliciting Dealer Warrants were determined to be $26,604, which were recorded as a reduction in the value of the shares issued as share issuance costs. The total fair value of the all warrants associated with the rights offering was $435,264.

9. SHARE CAPITAL AND RESERVES (continued)

Share capital (continued)

Total share issuance costs of the rights offering were $193,436, including the fair value of the warrants issued to the Soliciting Dealer.

On December 23, 2022, the Company entered into an equity distribution agreement (the "Distribution Agreement") with an agent (the "Agent"). Under the Distribution Agreement, the Company will be entitled, at its discretion and from time-to-time during the term of the Distribution Agreement, to sell, through the Agent, as sole and exclusive placement agent, such number of common shares of the Company having an aggregate gross sales price of up to $5.0 million (the "ATM Offering"). The shares will be distributed at market prices or prices related to prevailing market prices from time to time. As a result, prices of the shares sold under the ATM Offering will vary as between purchasers and during the period of distribution. The ATM Offering will be effective until the earlier of the issuance and sale of all of the shares issuable pursuant to the ATM Offering and June 6, 2023, unless terminated prior to such date by the Company or the Agent in accordance with the terms of the Distribution Agreement.

There were 8,400 common shares issued during the nine months ended May 31, 2023 as a result of the sale of shares through the Company's ATM Offering resulting in gross proceeds to the Company of $4,641.

There were 109,788 common shares issued during the nine months ended May 31, 2023 as a result of the exercise of warrants resulting in gross proceeds to the Company of $102,929.

There were 117,328 common shares issued to directors and consultants of the Company as a result of the settlement of RSU's that vested on January 1, 2023.

During the nine-month period ended May 31, 2022:

There were no shares issued during the nine-month period ended May 31, 2022.

Deferred Share Issuance Costs

As at May 31, 2023, the Company had recorded deferred share issue costs totaling $196,972 on the unaudited condensed interim consolidated statements of financial position. These deferred share issue costs consist of professional, consulting, regulatory and other costs directly attributable to financing transactions that have not been completed as of May 31, 2023 as the completion of the transactions is considered likely. The deferred share issue costs will be charged to share capital when the related shares are issued or expensed if the financing transactions are determined no longer likely to be completed.

Stock options

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

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

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at August 31, 2021	334,000	$ 5.50
Granted	752,000	$ 1.18
Expired	(143,000)	$ (4.70)
Balance outstanding at August 31, 2022	943,000	$ 2.18
Expired	(12,000)	$ (12.00)
Balance outstanding at May 31, 2023	931,000	$ 2.05
Balance exercisable at May 31, 2023	931,000	$ 2.05

As at May 31, 2023, the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Number Outstanding	Exercise Price	Remaining Life in Years
February 13, 2020	February 13, 2025	100,000	$ 2.50	1.71
April 13, 2020	April 13, 2025	81,000	$ 7.25	1.87
August 17, 2020	August 17, 2025	24,000	$ 8.75	2.21
January 1, 2022	January 1, 2027	358,000	$ 1.03	3.59
August 31, 2022	August 31, 2027	368,000	$ 1.35	4.25
Total outstanding and exercisable		931,000	$ 2.05	3.46

AGN Neuro adopted a Stock Option Plan (the “AGN Neuro Plan”) on December 20, 2022. Under the AGN Neuro Plan, shares of AGN Neuro are authorized for issuance to employees, officers, directors, consultants and Algernon employees in an amount up to 10% of the issued and outstanding common shares of AGN Neuro. As at May 31, 2023, no stock options have been granted under the AGN Neuro Plan.

Restricted Share Units

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Restricted Share Units (continued)

The changes in RSUs outstanding are as follows:

	Number Outstanding	Number Vested	Number Unvested
Balance at August 31, 2021	-	-	-
Granted	884,000	-	884,000
Balance at August 31, 2022	884,000	-	884,000
Vested	-	297,328	(297,328)
Settled	(117,328)	(117,328)	-
Balance at May 31, 2023	766,672	180,000	586,672

Share-based payments

(a) Stock options

- No stock options were granted during the nine months ended May 31, 2023.
- During the nine months ended May 31, 2022, on January 1, 2022, the Company granted a total of 384,000 incentive stock options to certain directors, officers, employees and consultants of the Company with an exercise price of $1.025 per share. The options expire on January 1, 2027.
- No stock options were exercised during the nine months ended May 31, 2023 or 2022.
- During the nine months ended May 31, 2023, a total of 12,000 incentive stock options expired unexercised. The stock options expired had a weighted average exercise price of $12.00 per share. The fair value allocated to these stock options on issuance of $195,175 was reclassified from reserves to deficit.
- During the nine months ended May 31, 2022 a total of 143,000 incentive stock options expired unexercised. The stock options expired had a weighted average exercise price of $4.70 per share. The fair value allocated to these stock options on issuance of $778,430 was reclassified from reserves to deficit.
- Under the graded vesting method, there was no share-based payment expense recognized for previously granted, unvested stock options in the nine months ended May 31, 2023 (2022 - $301,980).

(b) Restricted Share Units

- No RSUs were granted or forfeited during the nine months ended May 31, 2023 or 2022.
- During the nine months ended May 31, 2023, a total of 117,328 RSUs were settled resulting in the issuance of 117,328 common shares of the Company to directors and consultants of the Company.
- No RSUs were settled during the nine months ended May 31, 2022.
- Under the graded vesting method, share-based payments recognized for previously granted, unvested RSUs in the nine months ended May 31, 2023 totaled $953,346 (2022 - $nil).

Overall, during the nine months ended May 31, 2023, the Company recorded a total of $1,187,023 (2022 - $301,980) of share-based payment expense.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2021	1,426,680	$ 11.50
Issued	2,732,068	$ 1.11
Expired	(950,456)	$ (11.87)
Balance at August 31, 2022	3,208,292	$ 2.34
Issued	4,883,769	$ 0.52
Exercised	(87,600)	$ 0.94
Expired	(476,224)	$ (10.00)
Balance at May 31, 2023	7,528,237	$ 0.69

As at May 31, 2023, the Company had the following warrants outstanding:

Date of Expiry	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
July 4, 2027 (1)	$ 0.94	1,148,868	4.09
August 22, 2027	$ 1.06	1,495,600	4.23
May 5, 2023	$ 0.52	4,883,769	1.50
Total	$ 0.69	7,528,237	2.44

(1) The terms of the warrants issued on July 4, 2022 pursuant to the July 2022 Offering were amended as a result of anti-dilution provisions contained in those warrants. The July 2022 Offering consisted of one common share and one warrant. Upon issuance, the warrants were exercisable at a price of $1.175 per warrant and included anti-dilution provisions in the case of a “dilutive issuance to reduce the exercise price of the warrants and increase the number of shares issuable thereunder, if common shares are sold or issued for consideration per share less than the warrant exercise price, subject to certain exceptions.”

On August 22, 2022, the Company closed the August 2022 Offering at a price of $0.938 per unit. The August 2022 Offering resulted in a dilutive issuance and the exercise price of the warrants issued in the July 2022 Offering was reduced to $0.938 per share and the number of shares issuable under each warrant was increased such that the aggregate exercise price payable after taking into account the decrease in the exercise price shall be equal to the aggregate exercise price prior to the adjustment. These 1,236,468 warrants are now exercisable at a price of $0.938 per common share for approximately 1,549,704 common shares, subject to the rounding down of each warrant exercise.

During the nine months ended May 31, 2023, 87,600 of these warrants were exercised resulting in the issuance of 109,788 common shares for gross proceeds to the $102,929.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Agent warrant units

The changes in agent warrant units outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2021	61,728	$ 8.58
Issued	125,300	$ 1.03
Expired	(61,728)	$ (8.58)
Balance at August 31, 2022	125,300	$ 1.03
Issued	165,166	$ 0.25
Balance at May 31, 2023	290,466	$ 0.59

As at May 31, 2023, the Company had the following agent warrant units outstanding:

Date of Expiry	Exercise Price	Number of Agent Warrant Units	Weighted Average Remaining Life in Years
July 4, 2027	$ 1.03	43,380	4.35
August 22, 2027	$ 1.03	81,920	4.48
May 5, 2023	$ 0.25	165,166	1.50
Total	$ 0.59	290,466	2.66

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

Related party transactions to key management personnel are as follows:

Nine months ended May 31	2023	2022
Short-term benefits (1)	$ 441,931	$ 464,716
Consulting fees – other (2)	7,250	-
Share-based payments (3)	945,122	281,435
Rent (4)	-	9,000
	$ 1,394,303	$ 755,151

(1) Salaries paid to officers and directors fees to independent directors:
- $165,000 (May 31, 2022 - $165,000) to Chief Executive Officer;
- $90,000 (May 31, 2022 - $72,500) to Chief Financial Officer, who was appointed effective December 1, 2021;
- $nil (May 31, 2022 - $75,000, including $45,000 pertaining to a severance payment) to the Chief Financial Officer who resigned as Chief Financial Officer effective December 1, 2021.
- $97,500 (May 31, 2022 - $97,500) to the Vice President Research and Operations
- $30,501 (May 31, 2022 - $23,849) to Chairman and independent director;
- $19,500 (May 31, 2022 - $12,000) to an independent director;
- $19,500 (May 31, 2022 - $9,500) to an independent director;
- $19,930 (May 31, 2022 - $6,367) to an independent director, who was elected to the board of directors on February 28, 2022;
- $nil (May 31, 2022 - $3,000) to an independent director, who ceased to be a director of the Company on February 28, 2022.

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

(2) For the nine months ended May 31, 2023, $2,250 (2022 - $nil) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services. For the nine months ended May 31, 2023, $5,000 (2022 - $nil) was paid to an independent director pertaining to scientific consulting services provided to the Company.

(3) Share-based payments for the nine months ended May 31, 2023 were non-cash items that consisted of the fair value of the stock options and RSUs that were granted to key management personnel including members of the Board of Directors, but unvested during the nine months ended May 31, 2023.

(4) Rent:
For the nine months ended May 31, 2022, $9,000 was paid for corporate office space to a company where a senior officer until December 1, 2021 and director until September 22, 2021 was a principal.

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

As at	May 31, 2023	August 31, 2022
Key management personnel – bonuses	$ -	$ 268,000
Key management personnel – directors fees	5,441	5,244
Key management personnel – consulting fees	-	788
Total	$ 5,441	$ 274,032

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

Prepaid expenses as at May 31, 2023 did not include any amounts (August 31, 2022 - $32,132) pertaining to prepaid board of directors fees.

11. RISK AND CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended May 31, 2023. The Company is not subject to externally imposed capital requirements.

12. SEGMENTED DISCLOSURES

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

(Expressed in Canadian dollars)

12. SEGMENTED DISCLOSURES (continued)

As at May 31, 2023, the Company's long-term assets are located as follows:

	Canada	Australia	Total
Restricted cash equivalents	$ 57,500	$ -	$ 57,500
Deferred share issue costs	196,972	-	196,972
Intangible assets	5,294,055	-	5,294,055
	$ 5,548,527	$ -	$ 5,548,527

As at August 31, 2022, the Company's long-term assets were located as follows:

	Canada	Australia	Total
Restricted cash equivalents	$ 57,500	$ -	$ 57,500
Intangible assets	5,256,159	-	5,256,159
	$ 5,313,659	$ -	$ 5,313,659

13. SUBSEQUENT EVENTS

Subsequent to May 31, 2023:

On July 26, 2023, the Company issued to Maxim Group LLC ("Maxim") 200,000 common shares at a deemed issue price of $0.22, being the closing price of the common shares on the CSE on July 13, 2023, as initial compensation for entering into an engagement letter (the "Engagement Letter") pursuant to which Maxim will provide financial advisory and investment banking services, and assist in identifying and evaluating potential M&A and strategic opportunities, including the potential spin-off of the Company's Ifenprodil chronic cough research program. In connection with entering into the Engagement Letter, the Company may be obligated to issue up to an additional 200,000 Common Shares to Maxim in certain circumstances. The Company may also be obligated to pay Maxim a success fee upon the consummation of a successful transaction.

On July 27, 2023, the Company closed a non-brokered private placement for gross proceeds of $205,000 (the "Offering") of units (the "July 2023 Units") at an issue price of $0.20 per July 2023 Unit. Each July 2023 Unit will consist of one common share in the capital of the Company and one common share purchase warrant (a "July 2023 Warrant"). Each July 2023 Warrant will entitle the holder to acquire one common share (a "July 2023 Warrant Share") at an exercise price of $0.25 per July 2023 Warrant Share for a period of 2 years from the date of issuance (the "Expiry Date"), subject to acceleration of the Expiry Date as described below.

The July 2023 Warrants are subject to accelerated expiry in the event the volume weighted average trading price of the common shares exceeds $0.50 for 20 consecutive trading days, the Company may, within 10 business days of the occurrence of such event, deliver a notice to the holders of the July 2023 Warrants accelerating the Expiry Date of the July 2023 Warrants to a date that is not less than 30 days following the date of such notice and the issuance of a press release by the Company announcing the acceleration notice (the "Accelerated Exercise Period"). Any unexercised July 2023 Warrants shall automatically expire at the end of the Accelerated Exercise Period. The Company will use the proceeds of the private placement for working capital purposes.