ALGERNON PHARMACEUTICALS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended November 30, 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 months ended November 30, 2023.

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

As at	Note	November 30, 2023	August 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents	*4*	$ 74,166	$ 125,085
Accounts receivable	*4,5*	14,378	96,056
Prepaid expenses	*6*	33,242	118,688
Total current assets		121,786	339,829
Non-current assets			
Restricted cash equivalents	*4,7*	28,750	57,500
Intangible assets	*8*	3,800,774	3,796,370
Total non-current assets		3,829,524	3,853,870
TOTAL ASSETS		$ 3,951,310	$ 4,193,699
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*4,10*	$ 2,938,683	$ 2,719,760
Total liabilities		2,938,683	2,719,760
Shareholders' equity			
Share capital	*9*	28,149,932	28,149,932
Reserves	*9*	4,217,662	4,148,624
Accumulated other comprehensive loss		(41,071)	(32,275)
Deficit		(31,313,896)	(30,792,342)
Total shareholders' equity		1,012,627	1,473,939
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 3,951,310	$ 4,193,699

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)

Three months ended November 30	Note	2023	2022
EXPENSES			
General and administrative	*8,10*	$ 19,831	$ 68,003
Marketing		104,862	578,295
Professional fees		19,753	44,135
Research and development	*5,8,10*	167,577	356,170
Salaries and benefits	*10*	122,042	174,472
Share-based payments	*9,10*	69,038	596,804
Shareholder communications		18,871	62,441
		521,974	1,880,320
Interest income		(420)	(294)
Net loss for the period		521,554	1,880,026
OTHER COMPREHENSIVE LOSS			
Item not classified into profit or loss:			
Foreign exchange loss on translation to reporting currency		8,796	8,255
Comprehensive loss for the period		$ 530,350	$ 1,888,281
Loss per common share			
Basic and fully diluted		$ 0.03	$ 0.20
Weighted average number of common shares outstanding		15,775,757	9,514,789

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)

Three months ended November 30	2023	2022
OPERATING ACTIVITIES		
Net loss for the period	$ (521,554)	$ (1,880,026)
Items not involving cash		
Share-based payments	69,038	596,804
Amortization	7,428	11,691
Unrealized foreign exchange loss	10,819	25,054
	(434,269)	(1,246,477)
Changes in non-cash operating working capital		
Accounts receivable	81,720	453,433
Prepaid expenses	85,446	334,150
Restricted cash equivalents	28,750	-
Accounts payable and accrued liabilities	186,109	(348,245)
	(52,244)	(807,139)
INVESTING ACTIVITY		
Additions of intangible assets	-	(17,736)
	-	(17,736)
FINANCING ACTIVITIES		
Proceeds from warrants exercised	-	102,929
	-	102,929
Effect of exchange rate fluctuations on cash held	1,325	3,136
Decrease in cash and cash equivalents	(50,919)	(718,810)
Cash and cash equivalents, beginning of period	125,085	1,408,509
Cash and cash equivalents, end of period	$ 74,166	$ 689,699
Supplemental cash flow information		
Non-cash investing and financing activities:		
Intangible assets included in accounts payable	$ 126,497	$ 61,513
Fair value of warrants exercised	$ -	$ 22,452
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, 2022	9,431,472	$ 27,115,383	$ 3,733,188	$ (37,026)	$ (25,186,887)	$ 5,624,658
Exercise of warrants	109,788	125,381	(22,452)	-	-	102,929
Share-based payments	-	-	596,804	-	-	596,804
Other comprehensive loss	-	-	-	(8,255)	-	(8,255)
Net loss for the period	-	-	-	-	(1,880,026)	(1,880,026)
Balance at November 30, 2022	**9,541,260**	**$ 27,240,764**	**$ 4,307,540**	**$ (45,281)**	**$ (27,066,913)**	**$ 4,436,110**
Balance at August 31, 2023	15,775,757	$ 28,149,932	$ 4,148,624	$ (32,275)	$ (30,792,342)	$ 1,473,939
Share-based payments	-	-	69,038	-	-	69,038
Other comprehensive loss	-	-	-	(8,796)	-	(8,796)
Net loss for the period	-	-	-	-	(521,554)	(521,554)
Balance at November 30, 2023	**15,775,757**	**$ 28,149,932**	**$ 4,217,662**	**$ (41,071)**	**$ (31,313,896)**	**$ 1,012,627**

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 March 3, 2023, the Company completed a forward split of all of its issued and outstanding common shares on a 4 to 1 basis. Unless otherwise noted, all share, options, warrants, agent warrants, and restricted share unit 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 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"), idiopathic pulmonary fibrosis ("IPF"), and chronic cough as well as advancing a stroke program using N,N-Dimethyltryptamine ("DMT"). Drug re-purposing (also known as re-profiling, re-tasking, or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than what it was originally developed for. All the research and development ("R&D") work is 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.

As at November 30, 2023, the Company has an accumulated deficit of $31,313,896 (August 31, 2023 - $30,792,342) and for the three months then ended incurred a net loss of $521,554 (November 30, 2022 - $1,880,026). The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

On November 21, 2023 the Company signed a Letter of Intent ("LOI") with Seyltx Inc. ("Seyltx"), a privately owned U.S. based drug development company, to acquire the Company's Ifenprodil research program for USD $2,000,000 cash and a 20% common share equity position in Seyltx. The transaction is subject to certain conditions including, inter alia, Seyltx financing and the negotiation and execution of a definitive agreement, which is expected to occur within 90 days of the signing of the LOI.

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, 2023, 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, 2023.

(b) Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the three-month period ended November 30, 2023 were approved and authorized for issuance by the Board of Directors on January 25, 2024.

(c) Foreign currencies

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

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

(d) Use of accounting estimates and judgements

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

All intercompany transactions and balances have been eliminated on consolidation.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is mainly comprised of GST receivable, 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 November 30, 2023, the Company had a working capital deficit of $2,816,897 compared to working capital at August 31, 2023 of $2,379,931. This included cash and cash equivalents of $74,166 (August 31, 2023 - $125,085) available to meet short-term business requirements and current liabilities of $2,938,683 (August 31, 2023 - $2,719,760).

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

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, 2023 – 2.90%) 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 and British Pound Sterling ("GBP") and other operating expenses that are mainly in Canadian dollars ("CAD$").

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

As at November 30, 2023, the Company had monetary assets of US$1,452 or $1,972 (August 31, 2023 - US$4,438 or $6,005) at the CAD$ equivalent and monetary liabilities of US$501,029 or $680,498 (August 31, 2023 - US$498,244 or $674,174) at the CAD$ 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 $67,853 (August 31, 2023 - $66,817).

As at November 30, 2023, the Company had monetary assets of AUD$64,445 or $57,826 (August 31, 2023 - AUD$74,445 or $65,229) at the CAD$ equivalent and monetary liabilities of AUD$481,839 or $432,355 (August 31, 2023 - AUD$481,839 or $422,188) at the CAD$ 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 $37,453 (August 31, 2023 - $35,696).

As at November 30, 2023, the Company had monetary liabilities of $500,037 Euros or $740,455 (August 31, 2023 - $418,062 Euros or $613,799) at the CAD$ 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 $74,045 (August 31, 2023 - $61,380).

As at November 30, 2023, the Company had monetary liabilities of GBP$66,639 or $114,325 (August 31, 2023 - GBP$66,639 or $114,245) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the GBP by 10% will increase or decrease comprehensive loss by approximately $11,433 (August 31, 2023 - $11,425).

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.

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Fair Value Through Profit	Financial Assets Measured at Amortized Cost	Financial Liabilities Measured at Amortized Cost
November 30, 2023			
Cash and cash equivalents	$ 74,166	$ -	$ -
Restricted cash equivalents	28,750	-	-
Accounts receivable	-	816	-
Accounts payable and accrued liabilities	$ -	$ -	$ (2,938,683)

	Financial Assets Fair Value Through Profit	Loans and Receivables Measured at Amortized Cost	Financial Liabilities Measured at Amortized Cost
August 31, 2023			
Cash and cash equivalents	$ 125,085	$ -	$ -
Restricted cash equivalents	57,500	-	-
Accounts receivable	-	1,016	-
Accounts payable and accrued liabilities	$ -	$ -	$ (2,719,760)

(Expressed in Canadian dollars)

5. ACCOUNTS RECEIVABLE

	November 30, 2023	August 31, 2023
Accrued interest receivable	$ 816	$ 1,015
GST receivable	13,562	31,330
Other receivable(1)	-	63,711
	$ 14,378	$ 96,056

(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 November 30, 2023, there were no cash refundable tax credits (August 31, 2023 - $63,711) recognized as a recovery of R&D expenditures over the relevant periods to match it with the related expenditures.

6. PREPAID EXPENSES

	November 30, 2023	August 31, 2023
Marketing (1)	$ 12,500	$ 87,183
Research and development	10,169	15,412
Shareholders communications	10,573	16,093
	$ 33,242	$ 118,688

(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 102,700 units at a price of $3.75 per unit for total proceeds of $385,125. As at November 30, 2023, there are no amounts recorded within prepaid expenses pertaining to this contract (August 31, 2022 - $25,183).

7. RESTRICTED CASH EQUIVALENTS

As at November 30, 2023, the Company classified $28,750 (August 31, 2023 - $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, 2023 – 2.90%) and mature five months from the purchase date.

(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, 2022	$ 4,862,756	$ 15,723	$ 50,292	$ 362,324	$ 5,291,095
Additions	-	5,625	16,036	110,254	131,915
Write-downs	(1,458,827)	-	(66,328)	(54,476)	(1,579,631)
Balance, August 31, 2023	$ 3,403,929	$ 21,348	$ -	$ 418,102	$ 3,843,379
Additions	-	-	-	11,832	11,832
Balance, November 30, 2023	**$ 3,403,929**	**$ 21,348**	**$ -**	**$ 429,934**	**$ 3,855,211**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	In-licensed Patents(3)	Patent Application Costs(4)	Total
Accumulated Amortization					
Balance, August 31, 2022	$ -	$ (1,572)	$ (9,598)	$ (23,766)	$ (34,936)
Amortization	-	(1,685)	(20,915)	(27,798)	(50,398)
Write-downs	-	-	30,513	7,812	38,325
Balance, August 31, 2023	$ -	$ (3,257)	$ -	$ (43,752)	$ (47,009)
Amortization	-	(545)	-	(6,883)	(7,428)
Balance, November 30, 2023	**$ -**	**$ (3,802)**	**$ -**	**$ (50,635)**	**$ (54,437)**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	In-licensed Patents(3)	Patent Application Costs(4)	Total
Net Book Value					
Balance, August 31, 2023	$ 3,403,929	$ 18,091	$ -	$ 374,350	$ 3,796,370
Balance, November 30, 2023	**$ 3,403,929**	**$ 17,546**	**$ -**	**$ 379,299**	**$ 3,800,774**

(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 $545 of amortization within general and administrative expenses on the condensed interim consolidated statement of loss and comprehensive loss for the three months ended November 30, 2023 (2022 - $393).

(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 was amortizing the patents based on its estimated useful life of 4.75 years. During the year ended August 31, 2023, the Company wrote-off the in-licensed patent pertaining to its oncology program, which was no longer being pursued by the Company. The Company did not record any amortization within research and development expenses on the condensed interim consolidated statement of loss and comprehensive loss for the three months ended November 30, 2023 (2022 - $5,200).

8. INTANGIBLE ASSETS (continued)

(4) The Company has filed new method of use patents for lead compounds for treatment of five new disease areas: NASH, CKD, 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 $6,883 of amortization within research and development expenses on the condensed interim consolidated statement of loss and comprehensive loss for the three months ended November 30, 2023 (2022 - $6,098).

9. SHARE CAPITAL AND RESERVES

Share capital

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at November 30, 2023, there were 15,775,757 (August 31, 2023 – 15,775,757) common shares issued and outstanding. Details of common shares are as follows:

During the three-month period ended November 30, 2023:

- There were no common shares issued during the three months ended November 30, 2023.

During the three-month period ended November 30, 2022:

- There were 109,788 common shares issued during the three months ended November 30, 2022 as a result of the exercise of warrants resulting in gross proceeds to the Company of $102,929.

Stock options

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

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at August 31, 2022	943,000	$ 2.18
Expired	(12,000)	$ (12.00)
Balance outstanding at August 31, 2023	931,000	$ 2.05
Balance outstanding at November 30, 2023	931,000	$ 2.05
Balance exercisable at November 30, 2023	931,000	$ 2.05

As at November 30, 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	1.21
April 13, 2020	April 13, 2025	81,000	$ 7.25	1.37
August 17, 2020	August 17, 2025	24,000	$ 8.75	1.71
January 1, 2022	January 1, 2027	358,000	$ 1.03	3.09
August 31, 2022	August 31, 2027	368,000	$ 1.35	3.75
Total outstanding		931,000	$ 2.05	2.96
Total exercisable		931,000	$ 2.05	2.96

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.

The changes in RSUs outstanding are as follows:

	Number Outstanding
Balance at August 31, 2022	884,000
Settled	(117,328)
Balance at August 31, 2023	766,672
Balance at November 30, 2023	766,672
Balance vested at November 30, 2023	473,328

Share-based payments

(a) Stock options

- No stock options were granted during the three months ended November 30, 2023 and 2022.

- Under the graded vesting method, share-based payments recognized for previously granted, unvested stock options in the three months ended November 30, 2023 totaled $nil (2022 - $122,020).

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

(b) Restricted Share Units

- No RSUs were granted, settled or forfeited during the three months ended November 30, 2023 or 2022.
- Under the graded vesting method, share-based payments recognized for previously granted, unvested RSUs in the three months ended November 30, 2023 totaled $69,038 (2022 - $474,784).

Overall, during the three months ended November 30, 2023, the Company recorded a total of $69,038 (2022 - $596,804) of share-based payment expense.

Share purchase warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2022	3,208,292	$ 2.34
Issued	5,908,769	$ 0.47
Exercised	(87,600)	$ (0.94)
Expired	(476,224)	$ 10.00
Balance at August 31, 2023	8,553,237	$ 0.64
Balance at November 30, 2023	8,553,237	$ 0.64

As at November 30, 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	3.59
August 22, 2027	$ 1.06	1,495,600	3.73
November 5, 2024	$ 0.52	4,883,769	0.93
July 27, 2025	$ 0.25	1,025,000	1.65
Total	$ 0.64	8,553,237	1.87

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

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

(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, 2022	125,300	$ 1.03
Issued	165,166	$ 0.25
Balance at August 31, 2023	290,466	$ 0.59
Balance at November 30, 2023	290,466	$ 0.59

As at November 30, 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	3.59
August 22, 2027	$ 1.03	81,920	3.73
November 5, 2024	$ 0.25	165,166	0.93
Total	$ 0.59	290,466	2.12

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:

Three months ended November 30	2023	2022
Short-term benefits (1)	$ 114,959	$ 152,808
Consulting fees – other (2)	750	5,750
Share-based payments (3)	54,918	474,357
	$ 170,626	$ 632,915

(1) Salaries paid to officers and directors fees to independent directors:
- $55,000 (November 30, 2022 - $55,000) to Chief Executive Officer;
- $30,000 (November 30, 2022 - $30,000) to Chief Financial Officer;
- $10,833 (November 30, 2022 - $32,500) to the Vice President Research and Operations
- $6,000 (November 30, 2022 - $12,250) to Chairman and independent director;
- $4,500 (November 30, 2022 - $7,500) to an independent director;
- $4,500 (November 30, 2022 - $7,500) to an independent director;
- $4,125 (November 30, 2022 - $8,058) to an independent director.

(2) For the three months ended November 30, 2023, $750 (2022 - $750) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services. For the three months ended November 30, 2023, there were no amounts paid to independent directors pertaining to scientific consulting services provided to the Company (2022 - $5,000).

(3) Share-based payments for the three months ended November 30, 2023 were non-cash items that consisted of the fair value of the RSUs that were granted to key management personnel including members of the Board of Directors, but unvested during the three months ended November 30, 2023.

(Expressed in Canadian dollars)

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

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

As at	November 30, 2023	August 31, 2023
Key management personnel – salaries	$ 44,625	$ -
Key management personnel – directors fees	25,440	15,031
Key management personnel – consulting fees	2,075	1,288
Total	$ 72,140	$ 16,319

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

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 three months ended November 30, 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:

As at November 30, 2023, the Company's intangible assets are located as follows:

	Canada	**Australia**	**Total**
Intangible assets	$ 3,800,774	$ -	$ 3,800,774

As at August 31, 2023, the Company's intangible assets are located as follows:

	Canada	**Australia**	**Total**
Intangible assets	$ 3,796,370	$ -	$ 3,796,370

13. SUBSEQUENT EVENTS

Subsequent to November 30, 2023:

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

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

On December 29, 2023, a total of 146,000 incentive stock options, 10,000 with exercise prices of $8.75, 76,000 with exercise prices of $1.03 and 60,000 with exercise prices of $1.35, were forfeited and cancelled.

On December 29, 2023, a total of 180,000 RSUs were forfeited and cancelled.

On January 2, 2024, a total of 506,672 RSUs were settled resulting in the issuance 506,672 common shares of the Company to directors and officers of the Company.