ALPHA COGNITION CANADA INC.
(formerly Alpha Cognition Inc.)

Management's Discussion and Analysis
For the year ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Alpha Cognition Canada Inc. (formerly Alpha Cognition Inc.) ("ACI Canada" or the "Company"), provides analysis of the Company's financial results for the year ended December 31, 2020. The following information should be read in conjunction with the accompanying audited consolidated financial statements and accompanying notes for the years ended December 31, 2020 and 2019 ("Annual Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Board of Directors of the Company have approved the information and disclosures contained in this MD&A. All figures are in United States dollars unless otherwise noted. Additional information relating to the Company is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company's Annual Financial Statements and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102. Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of August 13, 2021.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements". These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts", or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve certain risks, uncertainties and assumptions. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf, except as may be required by applicable law.

All of the Company's public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials.

COMPANY DESCRIPTION

ACI Canada is a biopharmaceutical company headquartered in Vancouver, BC, focused on developing therapies for the treatment of neurodegeneration. The Company has a wholly owned subsidiary, Alpha Cognition USA Inc. ("ACI USA"), based out of West Palm Beach, Florida. The Company's lead product candidate is Alpha-1062, a new patented drug developed for the treatment of Alzheimer's Disease. Alpha-1062 is a next generation Alzheimer's treatment offering alternative routes of administration. The Company is also developing Alpha-602, progranulin, a protein that has a potent ability to protect neurons that are under stress. Alpha-602 is a specific form of progranulin for the treatment of amyotrophic lateral sclerosis ("ALS").

On October 27, 2020, the Company entered into an arrangement agreement with Alpha Cognition Inc. (formerly Crystal Bridge Enterprises Inc.) ("ACI") whereby ACI acquired all of the issued and outstanding securities of ACI Canada. Refer to the section Arrangement Agreement below.

Alpha-1062

ALPHA-1062 is a patented new chemical entity. When absorbed through mucosal tissue or ingested it is enzymatically converted to an active moiety that has previously been approved by U.S. FDA and marketed by Janssen, a wholly-owned subsidiary of Johnson & Johnson, as Razadyne (generic name is galantamine) in North America and as Reminyl elsewhere. Patients treated with Razadyne experience gastrointestinal side effects which can limit its effectiveness. ALPHA-1062 however, prior to conversion and during the absorption and ingestion process, may have reduced gastrointestinal side effects which could result in reduced up-titration periods and may facilitate immediate dosing at therapeutic levels. Drugs that convert from an inert form to an active substance in-situ are referred to as "prodrugs". At the time the Company licensed the ALPHA-1062 technology, only a nasal formulation had been developed. Subsequently, oral dosage formulations have been developed. The Company will begin pivotal trials of an oral dosage form in Q3, 2021.
The Company's ALPHA-1062 development plan has two primary goals:

- Clinical Development: Demonstrate to the satisfaction of regulatory bodies that ALPHA-1062 formulations have a significantly reduced side effect profile and differentiated mechanism of action from existing acetylcholinesterase inhibitor (AChEI) treatments with the exception of galantamine.
- Regulatory Development: Demonstrate that a New Drug Application pathway called a 505(b)(2) is available for approval in the United States, allowing commercialization, that relies on the establishment of a scientific bridge to the finding of safety and efficacy of the FDA approved Razadyne utilizing a bioavailability and bioequivalence pivotal study instead of the traditional efficacy trials.

ALPHA-1062 Clinical Development

The original nasal formulation of ALPHA-1062 was used to conduct Phase I human studies, initially by Neurodyn Life Sciences Inc. ("NLS"), and subsequently, on completion of the ALPHA-1062 Agreement, by the Company. The Phase I human studies included a single ascending dose study ("**SAD Study**") followed by a multiple ascending dose ("**MAD Study**") study. These Phase I studies were designed to determine the safety of the drug, which was administered to healthy aged patients at increasing doses of ALPHA-1062, initially one time in the SAD Study, and subsequently multiple times over a seven-day period in the MAD Study. These studies indicated that ALPHA-1062 formulation may have reduced gastrointestinal side effects (nausea, diarrhea, vomiting) as compared to one of the existing treatments, Razadyne (galantamine is the generic name).

The Company is scheduled to begin a pivotal trial of an oral dosage form in Q3, 2021, which is expected to be completed in Q4 2021. Assuming no unanticipated delays, 'Top-line' results of this trial will be reported in Q1, 2022. Successful completion of the pivotal trial would allow the Company to file an NDA in early Q3, 2022, with expected approval FDA approval for the US market 1H, 2023.

(1) *Commercialization Strategy*: Targeted for the second half of 2021 and continuing thereafter, in parallel with the Company's regulatory activities, the Company will take steps to develop a commercialization team to manage product manufacturing and distribution. The Company intends to commercialize ALPHA-1062 with a best-in-class specialty sales force that will focus on Neurology and Long Term Care physicians in the US. Neurologists that specialize in Alzheimer's treatment make pharmacologic decisions for Alzheimer's patients in a clinical setting. Long term care physicians who treat elderly patients that reside in nursing homes also make pharmacologic decisions in concert with the long term care treatment team. Our research has indicated that the acetylcholinesterase inhibitor (AChEI) prescription market from these two specialties is large, with over 7.5 million prescriptions filled in pharmacies each year. ACHEI drugs include Aricept, Exelon, Exelon Patch, Razadyne, and generic versions of each brand. Prescription data suggests that there is currently high turnover of patients treated with currently approved AChEI medications, with 30% of patients discontinuing treatment by month 4 and 45% discontinuing treatment by the end of year 1. The Company believes that patients who discontinue a first therapy will try a 2nd line and 3rd line therapy. Patient willingness to try multiple therapeutics provides an opportunity for ALPHA-1062 to take market share in the overall AChEI

market. The sales force will make potential key points of label differentiation, exploit key issues with existing AChEI medications. Success will be further enabled by deploying a highly targeted and efficient multi-channel market campaign, by motivating caregivers to request ALPHA-1062, and securing product coverage with US payors. Market research indicates that payors are likely to cover ALPHA-1062 if the product is competitively priced. Additionally, Alpha intends to seek strategic partnerships to expand promotional efforts and expand physician promotional coverage. As ALPHA-1062 nears FDA regulatory approval, Alpha will seek distribution partners for major territories, identified as Europe, LATAM (Mexico, Central and South America), and Asia. Additionally the Company intends to seek approval for potential additional indications and product line extensions.

ALPHA-0602

The ALPHA-0602 product candidate originated almost a decade ago when it was discovered by two professors at McGill University in Montreal. They discovered a protein named progranulin that indicated activity for several neurological disorders. Progranulin is a large protein that was found to be present in virtually all living animals and is likely to be used by the body for multiple tasks. Upon further investigation, scientists discovered that the large molecule was made of smaller polypeptides or subunits, referred to as Granulin Epithelin Modules ("**GEMs**").

A safe and effective treatment for ALS remains an unmet medical need. The few treatment options that currently exist for ALS patients, have shown limited effectiveness. ALPHA-0602 is being developed for the treatment of ALS and has been granted Orphan Designation by FDA.

ALPHA-0602 Pre-Clinical Development

ALPHA-0602 has been investigated in preclinical studies designed to stimulate the overproduction of progranulin in validated animal models of neurological disorders, specifically ALS. ALS is a progressive neurodegenerative disease that affects nerve cells in the brain and spinal cord that carry messages from the brain to the muscles (Source: Laird et al. (2010), Chitramuthu et al. (2017)). Initial work with animal models of ALS has been completed indicating that progranulin may be effective in modifying the disease process. Additional in-vitro and in-vivo investigations to validate the effectiveness of this product candidate are ongoing.

ALPHA-0602 Regulatory Development

Completion of the ongoing in-vitro and preclinical program, and selection of a primary biological drug candidate is scheduled for Q2, 2022, at which point, subject to any unanticipated delays, relevant pre-clinical safety studies will be initiated in animal models consistent with US FDA requirements in support of an Investigational New Drug Application by 3H, 2022. The lead drug candidate would follow a conventional Biologics License Application ("BLA") approval process requiring Phase I – III clinical trials to support the use of progranulin or its GEMs for use in treating ALS.

In February 2020, ALPHA-0602 was granted Orphan Drug Designation by the FDA for the use of ALPHA-0602 in the treatment of ALS. The Orphan Drug Designation has a number of significant benefits including:

(1) tax credits of 50% off the clinical drug testing cost awarded upon approval;
(2) eligibility for market exclusivity for seven years post approval; and
(3) waiver of New Drug Application and biologics license application fees, which could amount to approximately US$2,200,000.

2020 Year Summary

On April 27, 2020, the Company received $2,000,000 from various lenders for the issuance of convertible debentures ("First Note") bearing interest at 5% per annum, minimum six months interest guaranteed, and expiring on October 27, 2021, and one warrant giving the lender the right to purchase a second convertible promissory note ("Second Note") having the same terms as the First Note, upon payment equal to the principal amount of the First Note and expiring October 30, 2020. The Second Note and any accrued interest shall be automatically converted into common shares of the Company with the completion of a Value Transaction, being any transaction which has the effect directly or indirectly of valuing the Company, its assets or

undertaking including but not limited to a merger or acquisition, a private placement of the Company, issuance of convertible debentures, an initial public offering, a reverse take-over or merger, or a valuation report completed by an independent banker or certified business valuator, for a price at a 20% discount to the lower of the per share price of a Value Transaction or $1.60. If the Company fails to complete the Value Transaction, the convertible debentures will be converted into common shares at $1.28 per share.

In June 2020, the Company's directors elected to convert all outstanding Class B common shares to common shares and all Class B common share options to common share options on the same terms and conditions as originally issued on a 1:1 basis. The Class B common shares option plan was cancelled.

In June 2020, the Company issued 50,000 common shares at a price of $0.01 per share for total proceeds of $500 for the exercise of common share options.

In July 2020, the Company granted 39,154 common share options with an exercise price of $0.40 for a term of 10 years to a consultant of the Company.

In July 2020, the Company issued 50,000 common shares at a price of $0.01 per share for total proceeds of $500 for the exercise of common share options.

In November 2020, the Company offered the holders of the First Note warrants, issued with the convertible dentures in April 2020, the option to purchase Transaction Units at a 20% discount through the exercising of their warrants, conditional on the closing of the Transaction (defined below under the section Arrangement Agreement). If the Transaction did not complete by December 31, 2020 or such later date as agreed to by ACI Canada and ACI, the holders would receive the Second Note. The Company received $2,000,000 for the exercise of the First Note Warrants of which $59,319 was received for a Second Note and $1,940,681 was received for the elected Transaction Units.

In November 2020, the Company entered into a license agreement with NLS for the world-wide exclusive right to PGRN technology. In accordance with the agreement, the Company will pay the following:

- $50,000 to NLS upon closing of the agreement;
- a royalty of 1.5% of the commercial sales, capped at $2,000,000, to NLS; and
- 10% of any Upfront Payments, being revenue and is not tied to any research obligations, in excess of $2,000,000 to NLS.

The total amount payable to NLS under this agreement shall not exceed $2,000,000.

In December 2020, the Company completed the Private Placement offering in relation to the arrangement agreement with Crystal Bridge described below and raised $3,337,963.

Events Subsequent to December 31, 2020

a) Prior to the completion of the reverse acquisition, the Company completed a share consolidation on the basis of one new post-consolidation common share for every 7.14 pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

b) On March 17, 2021, the Company amended its articles to include additional classes of shares to its authorized share capital.

c) On March 18, 2021, the Company announced the successful closing of the proposed business combination with ACI. Pursuant to the Transaction, ACI Canada was acquired by and became a wholly-owned subsidiary of ACI. Refer to the Arrangement Agreement section below.

Concurrent to the reverse acquisition transaction, the following occurred:

- ACI Canada and ACI completed the Private Placement by raising $4,166,639 by way of the sale of 3,360,124 subscription receipts at a price of CAD$1.60 per subscription receipt ("Subscription Receipt") with each Subscription Receipt consisting of one common share and one-half warrant.

Each whole warrant is exercisable at a price of CAD$2.10 per warrant for a term of 24 months from the closing date. In connection with the Private Placement, ACI Canada agreed to pay a cash commission of $209,174 and issue 130,733 warrants under the Private Placement to the agents. Each agent warrant is exercisable into common shares of ACI at an exercise price of CAD$1.60 for a term of 2 years.

- ACI Canada issued 1,613,186 Subscription Receipts on the conversion of $2,296,019 worth of net convertible debentures.
- ACI Canada issued 2,139,763 Common shares on the conversion of $1,880,398 worth of net convertible debentures and 94,273 Common shares on the conversion of $90,735 worth of interest on the convertible debentures.
- The directors of the Company, Pardeep Sangha, Taylor Thoen, Kenneth Hallat and Mark Kohler resigned and the Company appointed Kenneth Cawkell, Frederick Sancilio, John Havens, Len Mertz, Philip Mertz as new directors.

d) In June 2021, 50,000 options with an exercise price of $0.01 per share were exercised for proceeds of $500.

e) In July 2021, a total of 5,175,000 warrants with an exercise price of $0.40 per share were exercised for total proceeds of $2,070,000.

f) In August 2021, the Company granted 3,100,000 stock options to certain officers and employees of the Company with an exercise price of CAD$0.90 per share. The options will be subject to vesting terms of 25% on the first anniversary of the date of grant, and the remaining 75% will vest in equal monthly instalments until the third anniversary of the date of grant.

ARRANGEMENT AGREEMENT

On October 27, 2020, ACI Canada entered into an Arrangement Agreement with Alpha Cognition Inc. (formerly Crystal Bridge Enterprises Inc.) (”ACI”) whereby ACI would acquire 100% of the issued and outstanding shares of the ACI Canada by issuing to the shareholders of ACI Canada one common share of ACI (“CPC Share”) for every one common share of ACI Canada share held by each ACI Canada shareholder (the “Transaction”). Certain US resident ACI Canada shareholders agreed to receive a restricted voting share (a "Restricted Voting Share") in place of a CPC Share which is equivalent to a CPC Share except that it will not be counted in a shareholder vote for the election of directors. In addition, holders of Class C Preferred shares of ACI Canada would receive one Class B Preferred Share of ACI for each Class C Preferred share of ACI Canada held by such shareholder. The outstanding options and warrants of ACI Canada became convertible into options and warrants of ACI. The Transaction constituted a reverse acquisition of ACI.

Concurrent to the Transaction, ACI Canada and ACI completed the Private Placement by raising CAD$5,376,198 by way of the sale of 3,360,124 subscription receipts at a price of CAD$1.60 per subscription receipt (“Subscription Receipt”) with each Subscription Receipt consisting of one common share and one-half warrant. Each whole warrant is exercisable at a price of CAD$2.10 per warrant for a term of 24 months from the closing date. Of the funds raised, US$1,503,010 was raised by ACI Canada for 1,252,499 Subscription Receipts, CAD$2,430,800 was raised by ACI Canada for 1,519,250 subscription receipts, and CAD$941,400 was raised by ACI for 588,375 subscription receipts. In connection with the Private Placement, ACI Canada has agreed to pay a cash commission of $209,174 and issue 130,733 warrants under the Private Placement to the agents. Each agent warrant is exercisable into common shares of ACI at an exercise price of CAD$1.60 for a term of 2 years.

Immediately before the closing of the Transaction and in connection with the Transaction, the First Note holders of ACI Canada were issued 2,171,210 common shares of ACI Canada, the Second Note holders were issued 62,826 common shares of ACI Canada, and the First Note warrant holders who elected to receive Subscription Receipts were issued 1,613,186 Subscription Receipts.

On March 18, 2021, the Transaction completed resulting in ACI acquiring 100% of the shares of the ACI Canada and ACI Canada’s shareholders receiving 39,843,746 post-consolidated common shares, 7,000,000

restricted voting shares, 7,916,380 preferred shares, 10,008,374 warrants, 78,308 share options, and 9,991,057 performance share options of ACI.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of convertible debentures, the valuation of investments in films and intangible assets including goodwill, the valuation of investments in equity instruments, the valuation of share-based compensation and other equity based payments and derivative liability, and the valuation of expected credit loss.

Significant judgements includes the determination of functional currency, assessments over level of control or influence over companies, and the recoverability and measurement of deferred tax assets. Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Functional currency
Management is required to assess the functional currency of each entity of the Company. In concluding on the functional currencies of the parent and its subsidiary, management considered the currency that mainly influences the sale prices of goods and services and the cost of providing goods and services in each jurisdiction in which the Company operates. When no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation 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. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Going concern
The assessment of the Company’s ability to continue as a going concern involves management judgement about the Company’s resources and future prospects.

Impairment of intangible assets
The application of the Company’s accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Information about assumptions and estimation uncertainties that have a risk of resulting in significant adjustments are as follows:

Share-based payment transactions and valuation of derivative liability
The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options, standalone share purchase warrants issued and derivative liability. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input

assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Useful lives of intangible assets

The Company records intangible assets acquired at their fair value. Determining fair value requires management to use estimates that could be material. Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use.

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SELECTED ANNUAL INFORMATION as at December 31 2020

The Company has not recorded any revenues in the current fiscal year, and depends upon share issuances to fund its operations. See the summary of results below:

	Years ended December 31,		
	2020	2019	2018 (Unaudited)
	$	$	
Operating expenses	(6,475,551)	(6,333,780)	(2,077,197)
Other income (expenses)	691,344	(272,747)	(952,519)
Net loss and comprehensive loss	(5,784,207)	(6,606,527)	(3,029,716)
Basic and diluted loss per common share	(0.13)	(0.21)	(0.12)
Working capital (deficiency)	4,122,873	5,267,177	1,479,095
Total assets	8,436,205	6,395,987	3,056,443
Total long-term liabilities	4,842,839	831,062	6,051,841

RESULTS OF OPERATIONS – Fiscal Year Ended December 31, 2020

During the year ended December 31, 2020, the Company's primary focus was continued development of Alpha-1062.

For the year ended December 31, 2020, operating expenses increased by $141,771 from $6,333,780 in the year ended December 31, 2019 to $6,475,551 in the year ended December 31, 2020 primarily as a result of:

Operating Expense	Increase / Decrease in Expenses	Explanation for Change
Accretion expense	Decrease of $301,869	Decreased due to the current year expense relating to convertible debentures that were issued in 2020 as compared to the prior year expense relating to convertible debentures issued in 2018 which were converted in 2019.
Interest	Decrease of $100,488	Decreased to the conversion of the 2018 convertible debentures in the 2019 year end.
Professional fees	Increase of $293,423	Increased due to an increase in accounting fees for preparation of the 2020 year end audited financials and assistance with the arrangement agreement.
Research and development	Increase of $1,110,433	Increased due to increased activity in the development of Alpha-1062.
Share-based compensation	Decrease of $968,662	Decreased due to no performance milestones being achieved during the 2020 year end.

The following also occurred during the year ended December 31, 2020 as compared to the year ended December 31, 2019:

- The Company recorded an increase in gain on revaluation of derivative liability of $1,038,843 due to the new convertible debentures offered in April and October 2020.

SUMMARY OF QUARTERLY RESULTS FOR THE LAST CONSECUTIVE EIGHT QUARTERS

The following table presents the unaudited summarized financial information for the last eight quarters:

	Q4 F2020	Q3 F2020	Q2 F2020	Q1 F2020
	$	$	$	$
Operating expenses	(2,134,928)	(1,537,044)	(1,752,096)	(1,051,483)
Other income (expenses)	487,129	90,850	97,087	16,278
Loss and comprehensive loss for the period	(1,647,799)	(1,446,194)	(1,655,009)	(1,035,205)
Loss per share	(0.04)	(0.03)	(0.04)	(0.02)
Weighted average shares	42,996,524	42,998,154	42,904,857	42,896,524

	Q4 F2019	Q3 F2019	Q2 F2019	Q1 F2019
	$	$	$	$
Operating expenses	(1,558,574)	(2,232,102)	(1,132,815)	(1,410,288)
Other income (expenses)	26,318	(155,535)	(282,288)	138,759
Loss and comprehensive loss for the period	(1,532,256)	(2,387,637)	(1,415,103)	(1,271,530)
Loss per share	(0.04)	(0.08)	(0.05)	(0.05)
Weighted average shares	42,105,220	31,728,803	26,199,352	25,799,352

RESULTS OF OPERATIONS – Quarter Ended December 31, 2020

During the three months ended December 31, 2020, the Company's primary focus was on developing Alpha-1062.

For the three months ended December 31, 2020, operating expenses increased by $576,354 from $1,558,574 in the three months ended December 31, 2019 to $2,134,928 in the three months ended December 31, 2020 primarily as a result of:

Operating Expense	Increase / Decrease in Expenses	Explanation for Change
Accretion expense	Increase of $366,813	Increased due to the issuance of new convertible debentures, whereas the 2018 convertible debentures converted into share capital in the Q3 2019.
Management fees	Increase of $87,911	Increased due to the hiring of a new CFO.
Professional fees	Decrease of $174,646	Increased due to the preparation of the 2020 year end audit and assistance with the arrangement agreement.
Share-based compensation	Decrease of $79,278	Decreased due to no options being granted during the current period that are graded vesting.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company has current assets of $7,700,231 and current liabilities of $3,577,358, which resulted in working capital of $4,122,873 (December 31, 2019 - $5,267,177).

The Company does not have operating revenue to finance its existing obligations and therefore must continue to rely on external financing to generate capital to maintain its capacity to meet working capital requirements. The Company has relied on debt and equity raises to finance its operating activities since incorporation. The Company intends to continue to rely on debt and the issuance of shares to finance its operations. However, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

The table below sets forth a summary of cash flow activity and should be read in conjunction with the Company's cash flow statements included in the Annual Financial Statements:

	Years ended December 31,	
	2020	2019
	$	$
Cash flows used in operating activities	(5,437,660)	(2,553,167)
Cash flows used in investing activities	(9,238)	-
Cash flows provided by financing activities	5,875,740	5,994,913
Increase (decrease) in cash during the year	428,842	3,441,746
Cash, beginning of year	5,497,508	2,055,762
Cash, end of year	5,926,350	5,497,508

The cash flow used in operating activities increased by $2,884,493 to $5,437,660 for the year ended December 31, 2020 from $2,553,167 in the year ended December 31, 2019. The decline in cash flow from operating activities represents the effect on cash flows from net losses adjusted for items not affecting cash, principally: accrued interest expenses, amortization and accretion, share-based compensation expense, and changes in the value of derivatives, in addition to net changes in non-cash balances relating to operations.

Cash provided by investing activities for the year ended December 31, 2020 increased by $9,238 compared to the year ended December 31, 2019 due to the Company acquiring computer equipment.

Cash provided by financing activities for the year ended December 31, 2020 decreased by $119,173 compared to the year ended December 31, 2019. During the year ended December 31, 2020, financing activities included raising $4,000,000 from the issuance of convertible promissory notes and raising $1,898,740 from a private placement of common shares. The comparative year included raising $6,000,005 from a private placement of common shares.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements as at December 31, 2020 or 2019.

COMMITMENTS

1) As per the March 2015 Memogain Technology License Agreement with NLS, the Company is committed to cumulative total payments to GalatosPharma GmbH of €10,000,000, the cumulative total may be increased to €15,000,000 subject to certain provisions, which is to be paid as follows (collectively the "Galantos Royalty Payments"):
    - 3% of the net sales revenue received by the Company from the sale of any products relating to the Alpha 1062 Technology;
    - 10% of any sublicensing revenue; and
    - 25% of an upfront payment or milestone payment paid by a sub-licensee to the Company.

    Additionally, upon completion of the Galantos Royalty Payments, the Company owes a royalty payment to NLS of 1% of the revenue received from the Alpha 1062 Technology by the Company over $100 million per annum.

2) In January 2016, the Company assumed NLS's obligations under a royalty agreement with Galantos Consulting dated August 31, 2013 which consisted of cumulative total payments to Galantos Consulting of €2,000,000, the cumulative total may be increased to €3,000,000 subject to certain provisions, which is to be paid as follows:
    - 1% of the net sales revenue received by the Company from the sale of any products relating to the Memogain Technology;
    - 2% of any sublicensing revenue; and
    - 2% of an upfront payment or milestone payment paid by a sub-licensee to the Company.

3) In November 2020, the Company entered into a license agreement with NLS for the world-wide exclusive right to PGRN technology. In accordance with the agreement, the Company is committed to paying the following:
    - $50,000 to NLS upon closing of the agreement;
    - a royalty of 1.5% of the commercial sales, capped at $2,000,000, to NLS;
    - 10% of any Upfront Payments, being revenue and is not tied to any research obligations, in excess of $2,000,000 to NLS.

    The total amount payable to NLS under this agreement shall not exceed $2,000,000

CONTINGENCIES

The Company did not have any contingencies as at December 31, 2020 or 2019.

TRANSACTIONS WITH RELATED PARTIES as at December 31 2020

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors.

In September 2018, the Company signed a management agreement with CMI Cornerstone Management Corp. ("CMI"), a company controlled by Ken Cawkell, the CEO and director of the Company, which requires monthly payments of $15,000. In June 2019, the Company amended the agreement to increase the monthly fees to $18,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) $432,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) $54,000.

In September 2018, the Company signed a management agreement with 9177 – 586 Quebec Inc. ("9177 Quebec"), a company controlled by Denis Kay, the CSO of the Company, which requires monthly payments of $13,333 per month for an effective term of two years. In June 2019, the Company amended the agreement to increase the monthly fees to $15,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) $360,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) $45,000.

In September 2018, the Company signed management agreement with Clearway Global, LLC ("Clearway Global"), a company controlled by Fred Sancilio, the President of the Company's wholly owned subsidiary, ACI USA, which requires monthly payments of $10,000 per month for an effective term of two years. In June 2019, the Company amended the agreement to increase the monthly fees to $20,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) $480,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) $60,000.

In August 2020, the Company signed a management agreement with Seatrend Strategy Group, ("Seatrend"), a company controlled by Jeremy Wright, the CFO of the Company which requires monthly payments of $6,000. In October 2020, the Company amended the agreement to increase the monthly fees to $15,000. Included in the agreement is a provision for a termination payment of six's month's retainer.

During the year ended December 31, 2020, the Company entered into the following transactions with related parties:

a) Incurred management fees of $191,000 (2019 - $225,999) and share-based compensation of $135,132 (2019 - $706,042) to CMI. During the year ended December 31, 2019, CMI converted the principal portion of its debentures into 401,543 units of the Company with each unit consisting of one common share and one share purchase warrant with each warrant entitling the holder to acquire one common share of the Company for $0.40 up to August 30, 2024. The interest portion of the convertible debenture was converted into 13,846 common shares of the Company. In April 2020, CMI acquired First Note convertible debentures of $20,000 of the Company. In November 2020, CMI acquired an additional Second Note convertible debentures of $20,000. As at December 31, 2020, $nil (2019 - $25,000) was included in accounts payable and accrued liabilities owing to CMI. Additionally, as at December 31, 2020 $40,839 (2019 - $nil) was included in convertible debentures for the principal and accrued interest.

b) Incurred management fees of $126,362 (2019 - $nil) to Seatrend. As at December 31, 2020, $nil was included in accounts payable and accrued liabilities owing to Seatrend.

c) Incurred management fees included in research and development of $165,000 (2019 - $186,665) and share-based compensation included in research and development of $142,601 (2019 - $723,471) 9177 Quebec. In April 2020, 9177 Quebec acquired First Note convertible debentures of $10,000 of the Company. In November 2020, 9177 Quebec acquired an additional Second Note convertible debentures of $10,000. As at December 31, 2020, $nil (2019 - $14,940) was included in accounts payable and accrued liabilities owing to 9177 Quebec. Additionally, as at December 31, 2020, $20,419 (2019 - $nil) was included in convertible debentures for the principal and interest.

d) Incurred management fees included in research and development of $270,000 (2019 - $146,521) and share-based compensation included in research and development of $166,582 (2019 - $743,429) to Clearway Global. In April 2020, Clearway Global acquired First Note convertible debentures of $20,000 of the Company. In November 2020, Clearway Global acquired an additional Second Note convertible debentures of $20,000. As at December 31, 2020, $nil (2019 - $40,000) was included in accounts payable and accrued liabilities owing to Clearway Global. Additionally, as at December 31, 2020, $40,839 (2019 - $nil) was included in convertible debentures for the principal and interest

e) Incurred share-based compensation of $nil (2019 - $252,618) to Mertz Holdings, a company controlled by Len Mertz, a director of the Company. During the year ended December 31, 2019, Mertz Holdings and Mertz Trust converted the principal portion of their debentures into 450,000 and 625,000 units of the Company, respectively, with each unit consisting of one common share and one share purchase

warrant with each warrant entitling the holder to acquire one common share of the Company for $0.40 up to August 30, 2024. The interest portion of the debentures was converted into 15,517 and 21,552 common shares of the Company to Mertz Holdings and Mertz Trust, respectively. In April 2020, Mertz Holdings acquired First Note convertible debentures of $1,000,000 of the Company. In November 2020, Mertz Holdings acquired an additional Second Note convertible debentures of $972,021. As at December 31, 2020, the principal and accrued interest portions of $2,013,360 (2019 - $nil) was included in convertible debentures for Mertz Holdings and Mertz Trust, respectively.

f) Incurred share-based compensation of $nil (2019 - $126,310) to Hyman Place, LLP ("Hyman Place"), a company controlled by John Havens, a director of the Company. During the year ended December 31, 2019, Hyman Place converted the principal portion of their debentures into 2,500,000 units of the Company with each unit consisting of one common share and one share purchase warrant with each warrant entitling the holder to acquire one common share of the Company for $0.40 up to August 30, 2024. The interest portion of the debenture was converted into 86,207 common shares of the Company. In April 2020, Hyman Place acquired First Note convertible debentures of $737,701 of the Company. In November 2020, Hyman Place acquired an additional Second Note convertible debentures of $709,722. As at December 31, 2020, $1,477,765 (2019 - $nil) was included in convertible debentures for the principal and accrued interest.

g) During the year ended December 31, 2020, the Company paid $917 (2019 - $3,979) in legal fees and $36,000 (2019 – $36,000) in office and general expenses to Cawkell Brodie LLP, a law firm where Mr. Cawkell is a managing partner. As of December 31, 2020, $nil (2019- $909) was included in accounts payable and accrued liabilities owing to Cawkell Brodie LLP.

h) During the year ended December 31, 2020, the Company paid $13,500 (2019 – $18,000) in office and general expenses to NLS, a company related by common shareholders. As at December 31, 2020, $11,542 (2019 - $3,528) was included in accounts payable and accrued liabilities owing to NLS and $1,211,463 was owed for a promissory note.

a) During the year ended December 31, 2020, the Company paid $nil (2019 - $37,945) in product development costs included in research and development to a related company. As of December 31, 2020, $nil (2019 - $51,750) was included in accounts payable and accrued liabilities owing to this company.

Summary of key management personnel compensation:

	For the year ended December 31,	
	2020	**2019**
	$	$
Office and general	49,500	54,000
Management fees	317,362	225,999
Professional fees	917	3,979
Research and development – clinical trial costs	-	37,945
Research and development - management fees	435,000	333,186
Share-based compensation	444,315	2,551,870
	1,247,094	**3,206,979**

These expenditures were measured by amounts agreed upon by the transacting parties.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The Company's financial instruments consist of cash, subscription receipts receivable, accounts payable, related parties payable, convertible debentures, derivative liability, and promissory note. The fair values of subscription receipts receivables, accounts payable, related parties payable, refundable subscription receipts, convertible debentures and promissory note approximates their carrying values either due to their nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liability is measured on a recurring basis using level 3 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity risk.

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As at December 31, 2020, the Company had net monetary assets of approximately $150,000 denominated in Canadian dollars. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. A 10% change in the exchange rate with the Canadian dollar would change net loss and comprehensive loss by approximately $15,000. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution and a United States of America based financial institution. The Company maintains certain cash deposits with Schedule I financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's maximum credit risk is equal to the carrying value of cash at December 31, 2020 and 2019.

c) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate cash flow risk. The Company does not hold any financial liabilities with variable interest rates. Financial assets and liabilities with fixed interest rates expose the Company to interest rate price risk. As at December 31, 2020, the promissory note bears interest of 2% per annum and is subject to interest rate price risk. The Company maintains bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2020, the Company had a cash balance of $5,926,350 to settle current financial liabilities of $3,577,358.

OTHER RISKS AND UNCERTAINTIES

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks are associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

COVID-19 may cause delays

The current outbreak of the novel coronavirus (COVID-19) that was first reported from Wuhan, China in December 2019, and the spread of this virus could continue to have a material adverse effect on global economic conditions which may adversely impact the Company's business. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak and characterized it as a pandemic on March 11, 2020. Cases of COVID-19 have been widely reported globally, including China, the United States, Canada, and countries in the European Union. The extent to which the outbreak impacts the Company's business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the actual and threatened spread of the coronavirus globally could also have a material adverse effect on the regional economies in which the Company intends to operate, continue to negatively impact stock markets, adversely impact the Company's ability to raise capital, and cause continued interest rate volatility.

The spread of COVID-19 world-wide has caused delays with respect to the Company's clinical development plans including but not limited to delays in the manufacture and formulation of ALPHA-1062 in the appropriate dosage format for use in planned clinical trials. Business interruptions from the current or future pandemics may adversely impact the third parties the Company relies on to manufacture and formulate ALPHA-1062 in the quantities required. The COVID-19 pandemic may cause delays with respect to the commencement and completion of planned clinical studies and consequently the preparation and submission to the FDA. Timely enrollment in clinical trials is dependent on clinical trial sites which may be adversely affected by the current or future pandemic, and the Company may experience delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff, and delays enrolling patients in clinical trials or increased rates of patients withdrawing from clinical trials. Diversion of healthcare resources away from the conduct of clinical trials to focus on pandemic concerns, limitations on travel that could interrupt key activities, interruption or delays in the operations of the FDA and other regulatory authorities, or general business interruptions may also delay or otherwise adversely affect enrollment in clinical trials, as well as adversely impact the Company's business generally. The Company may incur expenses or delays relating to such events outside of the Company's control, which could have a material adverse impact on the Company's business, operating results and financial condition.

General national and worldwide economic conditions, including, without limitation, those resulting from the COVID-19 pandemic, may also materially and adversely affect the financial performance and results of operations of the Company, and the ability to obtain necessary financing, and may impact on purchasing

decisions and the level of spending on product candidates by potential customers. These economic conditions are currently very challenging, particularly in light of the COVID-19 pandemic. The liquidity, capital resources and credit of the Company and its potential customers, distributors and suppliers may be adversely affected by difficulties or inability to obtain capital and credit as result of current and future national and worldwide economic conditions.

The extent to which the COVID-19 outbreak impacts the Company's business, including commercial results and clinical trials, will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate spread of the disease, the duration of the outbreak, recurrence of outbreaks, travel restrictions and actions to contain the outbreak or treat its impact, including business closures or disruptions.

Risks associated with Clinical Studies and Manufacturing

Implementing a clinical study is time consuming and expensive, and the outcome is uncertain. The completion of clinical studies may be delayed or halted for numerous reasons, including, but not limited to, the following: (i) patients may die during a clinical study for a variety of reasons that may or may not be related to the Company's products, including other unresolved medical problems; (ii) regulatory inspections of manufacturing facilities, which may, among other things, require corrective action or suspension of the clinical studies; (iii) changes in governmental regulations or administrative actions; (iv) patients experience adverse side effects, including adverse side effects to the Company's product candidates; (v) the FDA, institutional review boards or other regulatory authorities do not approve a clinical study protocol or place a clinical study on hold; (vi) patients do not enroll in a clinical study or do not follow-up at the expected rate; (vii) third-party clinical investigators do not perform the clinical studies on the anticipated schedule or consistent with the clinical study protocol and good clinical practices, or other third-party organizations do not perform data collection and analysis in a timely or accurate manner; and (viii) the interim or final results of the clinical study are inconclusive or negative, and the study design, although approved and completed, is inadequate to demonstrate safety and efficacy of the Company's products.

Results of clinical studies may not support our proposed claims for ALPHA-1062 or ALPHA-0602. Even if clinical trials are completed as planned, the Company cannot be certain that its results will support the effectiveness of ALPHA-1062 or ALPHA-0602. Success in early-stage trials does not ensure that later clinical trials will be successful, and the Company cannot be sure that the results of later trials will replicate the results of prior clinical trials and pre-clinical testing.

Even if the Company obtains regulatory approval for its product candidates, the Company will still face extensive regulatory requirements and products may face future development and regulatory difficulties. Any product candidate for which the Company obtains marketing approval, along with manufacturing processes, post-approval clinical data, packaging, distribution, adverse event reporting, storage, recordkeeping, export, import, advertising, promotional activities for each product, among other things will be subject to extensive and ongoing requirements of and review by the FDA and other regulatory authorities. The FDA or other regulatory authorities may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product. Regulatory authorities closely regulate the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling. Regulatory authorities impose stringent restrictions on manufacturers' communications regarding off-label use and if the Company does not market our products for their approved indications, the Company may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act relating to the promotion of prescription drugs may lead to enforcement actions and investigations by the FDA, Department of Justice, and other regulatory agencies alleging violations of federal and state health care fraud and abuse laws, as well as state consumer protection laws.

The Company does not have its own manufacturing capabilities and will rely on third parties and their affiliates to produce clinical and commercial supplies of ALPHA-1062 and ALPHA-0602, and any other future candidate. The Company does not expect to own or operate facilities for product manufacturing, storage, distribution, or testing. It is dependent upon third parties to help formulate and manufacture ALPHA-1062. Any significant delay in the supply of a product candidate, or the raw material components thereof, for ongoing clinical trials

or commercial product could considerably delay completion of trials, product testing, and potential regulatory approval of the product(s). If the product is approved and delays occur, it could disrupt commercial supply to distributors or patients. This would impair the Company's ability to generate revenue from the sale of product candidates.

Risks associated with Business Objectives

If the Company fails to develop and commercialize its technologies or is unsuccessful in its development or partnering strategy it may never generate any revenues. In addition, it is possible that sufficient funds will not be raised to develop and commercialize the lead product.

The Company may never be able to commercialize either of its product candidates. Significant additional investment in research and development, product validation, production scale-up, manufacturing, clinical testing, and regulatory submissions of the product candidates is required prior to commercialization. It is not known whether any of these product or process candidates will meet applicable regulatory standards and obtain required regulatory approvals, or whether such products can be successfully marketed, or if the Company's investment in any such products will be recovered through sales or royalties.

Even if the Company receives regulatory approval for the sale of ALPHA-1062, it does not know when ALPHA-1062 will generate product revenue, if at all. The Company's ability to generate product revenue depends on a number of factors, including it's ability to successfully complete clinical trials and obtain regulatory approval for the marketing of ALPHA-1062 and ALPHA-0602, set an acceptable price for ALPHA-1062 and ALPHA-0602 and obtain coverage and adequate reimbursement from third-party payers; establish sales, marketing, and distribution systems for the product(s), add operational, financial, and management information systems and personnel, including personnel to support clinical, manufacturing, and planned future commercialization efforts and operations as a public company, initiate and continue relationships with third-party manufacturers and commercial quantities of ALPHA-1062 and ALPHA-0602 manufactured at acceptable cost levels, attract and retain an experienced management and advisory team, and maintain, expand, and protect intellectual property portfolio.

If one of our product candidates receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. If it does not achieve an adequate level of acceptance, the Company may not generate significant product revenue and become profitable. The degree of market acceptance of a product candidate, if approved for commercial sale, will depend on a number of factors, including but not limited to efficacy and potential advantages compared to alternative treatments, effectiveness of sales and marketing, cost of treatment in relation to alternative treatments, the Company's ability to offer its products for sale at competitive prices, the convenience and ease of administration compared to alternative treatments, the willingness of the target patient population to try new therapies and of physicians to prescribe those therapies, the strength of marketing and distribution support, the availability and severity of any side effects, and any restrictions of the Company's product(s) together with other medications.

If the Company obtains approval to commercialize any products outside of the United States, a variety of risks associated with international operations could materially adversely affect our business. If either ALPHA-1062 or ALPHA-0602 is approved for commercialization, the Company intends to enter into agreements with third parties to market it in certain territories outside the United States. The Company expects that it will be subject to additional risks related to international operations or entering into international business relationships, including different regulatory requirements for drug approvals and rules governing drug commercialization in foreign countries, reduced protection for intellectual property rights, unexpected changes in tariffs, trade barriers, and regulatory requirements, compliance with tax, employment, immigration, and labor laws for employees living or traveling abroad, foreign reimbursement pricing and insurance regimens, foreign taxes, production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad, and business interruptions from geopolitical actions including war and terrorism, natural disasters such as earthquakes, typhoons, floods, and fires.

The Company's computer systems and it's CROs and other contractors and consultants, are vulnerable to damage from computer viruses, unauthorized access, natural disasters (including hurricanes), terrorism, war

and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of preclinical or clinical trial data from completed, ongoing or planned trials could result in delays in its regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to the Company's data or applications, or inappropriate disclosure of personal, confidential or proprietary information, the Company could incur liability and the further development of relugolix or RVT-602 or any future product candidate could be delayed.

Limited Operating History and Operating Losses

The Company has a limited operating history and has only incurred operating losses since inception. There can be no assurances that the Company will achieve and sustain profitability in future periods. The Company has not yet generated revenues and the revenues that may be generated, and the expenses that will be incurred in doing so, are difficult to predict. If the Company does generate revenues, it is expected that the Company's operating expenses will increase as the business is expanded to meet growing demand for the products. The Company expects to devote more financial resources to sales, marketing and research and development activities in the future. There is no certainty that the product candidates will achieve the market share necessary to develop a sustainable, profitable business.

Liquidity and Additional Funding Requirements

The Company's ability to raise additional financing and maintain operations in the future could be at substantial risk. The Company will require additional funds to continue the research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. The Company may attempt to raise additional funds for these purposes through public or private equity or debt financing, collaborations, partnerships or licensing arrangements with other biopharmaceutical companies and/or from other sources. There can be no assurance that additional funding or partnerships will be available on terms acceptable to the Company and that would foster successful commercialization of the products. If capital is not available, the Company may not survive as a viable entity.

The Company may require additional equity and/or debt financing that may not be available on favourable terms to the Company. Additional equity financing will result in dilution to the existing shareholder base.

Due to uncertainty in the credit and capital markets, the Company may from time to time have restricted access to capital and increased borrowing costs. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to continue research and development activities, operations, and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

Furthermore, it is possible that in the event of a systemic financial crisis, the Company may be unable to access the financing or refinancing it needs on either the credit or capital markets, or the ability to access it on satisfactory terms, which could also have an adverse impact on its financial situation.

Competition

The Company will face significant competition in an environment of rapid technological and scientific change, and there is a possibility that competitors may achieve regulatory approval or develop therapies that are safer, more advanced or more effective.

The development and commercialization of new drugs is highly competitive. The Company may encounter competition from major pharmaceutical companies, specialty pharmaceutical companies, and biotechnology companies worldwide. Potential competitors also include academic institutions, government agencies, and other public and private research organizations that conduct research, seek patent protection, and establish collaborative arrangements for research, development and manufacturing. There are other companies that are developing therapeutics in the Alzheimer's and neurodegenerative disease fields, including large companies with significant financial resources.

The Company will also compete with other biotechnology companies for recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials. The Company will be dependent on certain members of its management and scientific staff, the loss of services of one or more of whom could adversely affect the Company. There can be no assurance that the Company will be able to successfully attract and retain skilled and experienced personnel.

The Company's commercial opportunity could be reduced or eliminated if competitors develop and commercialize drug candidates that are safer, more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any of the drug candidates that the Company may develop, and thus may render its drug candidates less competitive or not economical.

Protection of Intellectual Property

The Company's success will depend in part on its ability to obtain, maintain, and enforce patent rights, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that pending patent applications, or that future planned patent extensions will be allowed or that patents of others will not have an adverse effect on the ability of the Company to do business. In addition, the Company may be required to obtain licenses under patents or other proprietary rights of third parties associated specifically with the delivery of the Company's technologies. No assurance can be given that any licenses required under such patents or proprietary rights will be available on terms acceptable to the Company. In addition, the Company could incur substantial costs in defending or enforcing its patents or in suits brought against the Company alleging patent infringement.

Reliance on third-party contractors

The Company's reliance on third parties, such as contracted laboratories, manufacturing organizations and clinical research organizations, may result in delays in completing, or a failure to complete, non-clinical testing or clinical trials, if their contracted work is not completed on time or if it is not received. The company utilizes third parties located across the globe and these third parties may be subject to geopolitical risks that could limit their ability to supply the Company on a timely basis.

Royalty obligations

The Company will have fixed royalty payment obligations associated with the technologies it owns based on a percentage of any revenue received by the Company by way of commercial sales, milestones or upfront payments that will reduce any funds available to the Company for distribution to shareholders or continued development of the technologies.

Impact of Laws and Regulatory Environment

The biotechnology business is highly regulated, and its product candidates may not obtain regulatory approval in a sufficient time frame, or at all, or could be subject to a quality or safety issue. Biotechnology and pharmaceutical companies operate in a high-risk regulatory environment. The manufacture and sale of therapeutic products is governed by numerous statutes and regulations in North America, Europe, Japan and other countries where the Company intends to market its products. The subject matter of such legislation includes approval of manufacturing facilities, controlled research and testing procedures, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities, notably advertising and labeling.

Management cannot predict the nature of future laws, regulations, interpretations or applications, nor can it determine what effect either additional governmental regulations or administrative orders, when and if promulgated, would have on its business in the future. They could, however, require the reformation of certain or proposed products to meet new standards, the recall or discontinuance of certain products not able to be reformulated, additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling and/or scientific substantiation. Changes in regulatory requirements (such as proposed requirements for drug development), or evolving interpretations of existing regulatory requirements, may result in increased compliance cost, capital expenditures and other financial obligations that could

adversely affect the Company's business or financial results. Additionally, any event that may challenge specifically the therapeutical claims related to certain products could have a significant impact on the Company's activities, increase its costs, reduce consumer demand and result in litigation.

The Company's success depends on the quality of the product candidates. A quality or safety issue could have an adverse effect on the business, financial condition, and results of operations, and may result in negative publicity, warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, refusal of government approvals and licenses, restrictions on operations or withdrawal of any future approvals and licenses. Any of these events may disrupt the Company's business and could damage its reputation as well as adversely affect its financial results. For more information regarding the regulatory environment risks, please see "*Risk Factors Relating to the Target Company (and Resulting Issuer)*" in the Filing Statement.

Reliance on key personnel

The Company is dependent on certain members of its management and scientific staff, the loss of services of one or more of whom could adversely affect the Company. There can be no assurance that the Company will be able to successfully attract and retain skilled and experienced personnel.

The Company will need to expand the organization, and it may experience difficulties in managing this growth, which could disrupt operations. Many of the other pharmaceutical companies, which the Company competes against for qualified personnel and consultants, have greater financial and other resources and provide a longer history in the industry than the Company does. They may also provide diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high quality candidates and consultants than what the Company has to offer. If the Company is unable to attract and retain high quality personnel and consultants, the rate and success it can discover and develop product candidates will be harmed.

The Company may be subject to claims that employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of their former employers or other third parties. The company employs individuals who were previously employed at other biotechnology or pharmaceutical companies. Although the Company seeks to protect our ownership of intellectual property rights by ensuring that agreements with employees, collaborators and other third parties with whom it does business include provisions requiring such parties to assign rights in inventions to us, the Company may be subject to claims that it or it's employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of employees' former employers or other third parties. It may also be subject to claims that former employers or other third parties have an ownership interest in its patents. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if the Company fails in defending any such claims, in addition to paying monetary damages, it may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if the Company is successful, litigation could result in substantial cost and be a distraction to management and other employees.

Product reimbursement

The products may not receive reimbursement from government health authorities or private payers at commercially acceptable levels, or at all. The ability to successfully market products may depend in part on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health insurers and other organizations. There can be no guarantee that newly approved healthcare products will qualify for reimbursement or that the level of reimbursement would allow the Company to realize an acceptable return on its investment in product development.

Product liability claims

The Company may be subject to product liability claims which may or may not be insurable. Pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability

insurance is costly; availability is limited and may not be available on terms which would be acceptable to the Company, if at all. An inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the products. A product liability claim, or withdrawal of a product from the market, could have a material adverse effect upon the Company and its financial condition.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2020 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

DISCLOSURE OF CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be known to them, and by others, within those entities.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Management has assessed the effectiveness of the Company's internal control over financial reporting as of the year ended December 31, 2020.

While the officers of the Company have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute assurance that the objectives of the control system are met.

DISCLOSURE DATA FOR OUTSTANDING COMMON SHARES, OPTIONS, AND WARRANTS

The Company is authorized to issue the following share capital:

- Unlimited common voting shares without par value ("Common share")
- Unlimited Class B common non-voting shares without par value ("Class B common share"), with each full Class B common share being convertible into one Common share upon either of the following events:
    - the completion of an IPO
    - an offer to purchase all the Common shares of the Company accepted by the Company
    - the holders of Common shares, holding in the aggregate no less than 51% of the issued Common shares, or the directors of the Company elect to convert the Class B common shares
- Unlimited Class C preferred shares without par value ("Class C preferred shares") which includes:
    - 15,000,000 Series A preferred voting shares without par value with each full Series A preferred share being convertible into one Common share at the option of the holder.

Below is a summary of the common shares issued, share options, and share purchase warrants as at December 31, 2020 and the date of this report:

	December 31, 2020	Date of this Report
Common shares	42,996,524	44,893,927
Restricted shares	-	7,000,000
Class B preferred shares	7,916,380	7,916,380
Common share options	10,069,365	3,486,851
ACI Canada legacy performance options	-	9,991,057
Warrants	9,201,783	6,644,169

Common share options

The Company has issued incentive options to certain directors, officers, and consultants of the Company. As of the date of this report, the following share options are outstanding and exercisable:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
77,030	77,030	0.56 (CAD $0.71)	June 16, 2021
200,000	50,000	1.65 (CAD $2.10)	March 29, 2023
31,513	31,513	0.56 (CAD $0.71)	September 21, 2023
39,154	39,154	0.40	June 1, 2029
39,154	39,154	0.40	July 22, 2030
3,100,000	-	0.71 (CAD $0.90)	August 3, 2031
3,486,851	236,851		

ACI Canada legacy performance options

The Company has issued incentive options to certain directors, officers, and consultants of the Company. As of the date of this report, the following share options are outstanding and exercisable:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
900,000	900,000	0.001	February 1, 2026
691,057	691,057	0.01	December 31, 2027
4,550,000	3,890,000	0.01	September 1, 2028
3,800,000	3,280,000	0.01	June 1, 2029
9,991,057	8,761,057		

Warrants

A summary of the share purchase warrants outstanding as at the date of this report is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
40,000	0.40	July 5, 2023
3,986,783	0.40	August 30, 2024
2,486,653	1.65 (CAD$2.10)	March 18, 2023
130,733	1.26 (CAD$1.60)	March 18, 2023
6,644,169		

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com;
- the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019;

This MD&A was approved by the Board of Directors of Alpha Cognition Inc. effective August 13, 2021.