

# **ALGERNON PHARMACEUTICALS INC.**

## **Condensed Interim Consolidated Financial Statements** (Unaudited)

For the nine months ended May 31, 2025 and 2024  
(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 nine months ended May 31, 2025.

**ALGERNON PHARMACEUTICALS INC.**

Unaudited Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

As at	Note	May 31, 2025	August 31, 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,5	\$ 88,176	\$ 596,198
Accounts receivable	5	14,936	15,686
Prepaid expenses and deposits	4	130,768	126,879
<b>Total current assets</b>		<b>233,880</b>	<b>738,763</b>
<b>Non-current assets</b>			
Restricted cash equivalents	5	28,750	28,750
Intangible assets	4,6	4,213,525	3,176,527
Goodwill	4	404,950	-
<b>Total non-current assets</b>		<b>4,647,225</b>	<b>3,205,277</b>
<b>TOTAL ASSETS</b>		<b>\$ 4,881,105</b>	<b>\$ 3,944,040</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5,7	\$ 2,188,746	\$ 1,775,447
Acquisition payable	4	685,800	-
<b>Total current liabilities</b>		<b>2,874,546</b>	<b>1,775,447</b>
<b>Long-term liabilities</b>			
Deferred income taxes payable	4	265,000	-
<b>Total long-term liabilities</b>		<b>265,000</b>	<b>-</b>
<b>Shareholders' equity</b>			
Share capital	8	30,167,760	29,555,135
Reserves	8	2,059,304	3,409,675
Accumulated other comprehensive loss		(39,871)	(40,386)
Deficit		(30,445,634)	(30,755,831)
<b>Total shareholders' equity</b>		<b>1,741,559</b>	<b>2,168,593</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 4,881,105</b>	<b>\$ 3,944,040</b>
Subsequent events	13		

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 (Income) and Comprehensive Loss (Income)  
(Expressed in Canadian dollars)

	Note	Three months ended May 31, 2025	Three months ended May 31, 2024	Nine months ended May 31, 2025	Nine months ended May 31, 2024
<b>EXPENSES</b>					
General and administrative		\$ 30,452	\$ 46,364	\$ 79,060	\$ 121,404
Marketing		72,543	29,953	282,589	175,360
Professional fees		65,141	14,482	184,728	64,259
Research and development		26,196	109,534	68,506	616,124
Salaries and Benefits	10	139,160	180,957	415,496	661,950
Share-based payment	8	210,298	61,007	210,298	286,658
Shareholder communications		39,421	23,361	96,384	66,087
		583,211	465,658	1,337,061	1,991,842
Gain on sale of research program	9	-	(1,663,725)	-	(1,663,725)
Gain on settlement of trade payables	7	-	(245,461)	-	(245,461)
Interest (income) expense		14	(380)	(506)	(1,108)
<b>Net loss (income) for the period</b>		583,225	(1,443,908)	1,336,555	81,548
<b>OTHER COMPREHENSIVE (INCOME) LOSS</b>					
<b>Item not classified into profit or loss:</b>					
Foreign exchange (gain) / loss on translation to reporting currency		(205)	5,607	(515)	7,997
<b>Comprehensive loss (income) for the period</b>		\$ 583,020	\$ (1,438,301)	\$ 1,336,040	\$ 89,545
<b>Loss (income) per common share</b>					
Basic		\$ 0.02	\$ (0.07)	\$ 0.05	\$ -
Weighted average number of common shares outstanding		29,041,599	21,779,909	27,885,501	18,934,791
Fully Diluted		\$ 0.02	\$ (0.06)	\$ 0.05	\$ -
Weighted average number of common shares outstanding		29,041,599	21,284,909	27,885,501	18,934,791

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

**ALGERNON PHARMACEUTICALS INC.**

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

Nine months ended		May 31, 2025	May 31, 2024
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (1,336,555)	\$ (81,548)
<b>Items not involving cash</b>			
Gain on sale of research program	9	-	(1,663,725)
Gain on settlement of trade payables	7	-	(245,461)
Share-based payments	8	210,298	286,658
Amortization	6	20,208	21,155
Unrealized foreign exchange loss		39,604	965
		(1,066,445)	(1,681,956)
<b>Changes in non-cash operating working capital</b>			
Accounts receivable		669	86,946
Prepaid expenses		65,461	50,413
Accounts payable and accrued liabilities		332,331	(561,244)
		(667,984)	(2,105,841)
<b>INVESTING ACTIVITY</b>			
Cash acquired in business combination	5	175,000	-
Proceeds from sale of research program	9	-	2,714,400
Transaction costs paid pursuant to sale of research program	9	-	(377,683)
Additions of intangible assets	6	(15,219)	(52,737)
Redemption of restricted cash equivalents		-	28,750
		159,781	2,312,730
<b>FINANCING ACTIVITIES</b>			
Proceeds from warrants exercised	8	208	-
Proceeds from units issued for cash, net of financing costs	8	-	265,572
Proceeds from stock options exercised	8	-	7,500
		208	273,072
Effect of exchange rate fluctuations on cash held		(27)	4,478
(Decrease) increase in cash and cash equivalents		(508,022)	484,439
Cash and cash equivalents, beginning of period		596,198	125,085
<b>Cash and cash equivalents, end of period</b>		<b>\$ 88,176</b>	<b>\$ 609,524</b>

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)

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**continued**

**Supplemental cash flow information**

Non-cash investing and financing activities:

Intangible assets included in accounts payable	\$ 135,247	\$ 119,129
Fair value of shares issued in business combination	\$ 495,000	\$ -
Fair value of warrants issued in business combination	\$ 203,500	\$ -
Fair value of warrants exercised	\$ 241	\$ -
Fair value of warrants issued with unit offering	\$ -	\$ 73,271
Fair value of finders warrants issued with unit offering	\$ -	\$ 2,977
Fair value of restricted share units settled	\$ 117,384	\$ 768,067
Fair value of stock options exercised	\$ -	\$ 12,000
Fair value of stock options expired	\$ 1,591,204	\$ 211,346
Fair value of restricted share units expired	\$ 17,943	\$ 227,179
Fair value of warrants expired	\$ 37,605	\$ -
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
<b>Balance at August 31, 2023</b>	15,775,814	\$ 28,149,932	\$ 4,148,624	\$ (32,275)	\$ (30,792,342)	\$ 1,473,939
Units issued for cash, net of financing costs	3,733,333	189,324	76,248	-	-	265,572
Settlement of restricted share units	2,131,632	768,067	(768,067)	-	-	-
Shares issued on exercise of stock options	100,000	12,000	(4,500)	-	-	7,500
Shares issued in connection with an investment banking agreement	200,000	18,000	-	-	-	18,000
Expiry of stock options	-	-	(211,346)	-	211,346	-
Expiry of restricted share units	-	-	(227,179)	-	227,179	-
Share-based payments	-	-	286,658	-	-	286,658
Other comprehensive loss	-	-	-	(7,997)	-	(7,997)
Net loss for the period	-	-	-	-	(81,548)	(81,548)
<b>Balance at May 31, 2024</b>	<b>21,940,779</b>	<b>\$ 29,137,323</b>	<b>\$ 3,300,438</b>	<b>\$ (40,272)</b>	<b>\$ (30,435,365)</b>	<b>\$ 1,962,124</b>
<b>Balance at August 31, 2024</b>	27,300,819	\$ 29,555,135	\$ 3,409,675	\$ (40,386)	\$ (30,755,831)	\$ 2,168,593
Shares and warrants issued in connection with acquisition	5,500,000	495,000	203,500	-	-	698,500
Shares issued on exercise of warrants	400	241	(33)	-	-	208
Settlement of restricted share units	1,455,000	117,384	(117,384)	-	-	-
Expiration of warrants	-	-	(37,605)	-	37,605	-
Expiry of stock options	-	-	(1,591,204)	-	1,591,204	-
Expiry of restricted share units	-	-	(17,943)	-	17,943	-
Share-based payments	-	-	210,298	-	-	210,298
Other comprehensive loss	-	-	-	515	-	515
Net loss for the period	-	-	-	-	(1,336,555)	(1,336,555)
<b>Balance at May 31, 2025</b>	<b>34,256,219</b>	<b>\$ 30,167,760</b>	<b>\$ 2,059,304</b>	<b>\$ (39,871)</b>	<b>\$ (30,445,634)</b>	<b>\$ 1,741,559</b>

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

## ALGERNON PHARMACEUTICALS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended May 31, 2025 and 2024  
(Expressed in Canadian dollars)

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### 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 May 22, 2025, the Company acquired NoBrainer Imaging Centers, Inc. (“NIC”) which moves the Company into the Alzheimer’s Disease (“AD”) diagnostic and treatment market and expands on the Company’s existing neurological research programs. The acquisition provides the Company with exclusive master franchise licensing rights to open AD screening, diagnostic and treatment centers across Canada and in multiple U.S. markets. While this acquisition represents a new business initiative and focus for the Company, the Company will continue to maintain and advance its drug development research programs, described below.

Previously, Algernon was solely 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”), 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 was carried out by the Company’s 100% owned Canadian subsidiary, Nash Pharmaceuticals Inc. (“Nash Pharma”). On January 6, 2020, Nash Pharma established a 100% owned Australian subsidiary, Algernon Research Pty Ltd. (“AGN Research”). Through its ongoing research programs, The Company 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 going forward from that date.

The Company previously focused on developing a repurposed therapeutic, Ifenprodil, to treat Chronic Cough and Idiopathic Pulmonary Fibrosis (“IPF”), however on March 26, 2024, the Company closed an agreement with Seyltx, Inc. (“Seyltx”), a privately owned U.S. based drug development company, for the sale of the Company’s Ifenprodil research and development program focused on chronic cough and IPF for the purchase price of USD \$2.0M or approximately CAD \$2.7 in cash and a 20% common share equity position in Seyltx on a fully-diluted basis.

As at May 31, 2025, the Company has an accumulated deficit of \$30,445,634 (August 31, 2024 - \$30,755,831) and for the nine months then ended incurred a net loss of \$1,336,555 (May 31, 2024 - \$81,548). 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.

## **ALGERNON PHARMACEUTICALS INC.**

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended May 31, 2025 and 2024  
(Expressed in Canadian dollars)

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### **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, 2024, 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, 2024.

#### **(b) Approval of the condensed interim consolidated financial statements**

The condensed interim consolidated financial statements of the Company for the nine-month period ended May 31, 2025 were approved and authorized for issuance by the Board of Directors on July 30, 2025.

#### **(c) Foreign currencies**

The reporting currency is the Canadian dollar ("CAD"), which is the functional currency of Algernon, Nash Pharma, AGN Neuro and NIC. 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 (income) and comprehensive loss (income) 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 (income).

#### **(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.



## **ALGERNON PHARMACEUTICALS INC.**

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended May 31, 2025 and 2024  
(Expressed in Canadian dollars)

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### **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. BUSINESS COMBINATIONS**

On May 22, 2025, the Company acquired 100% of the issued and outstanding shares of NIC (the "Transaction"). The Transaction moves the Company into the AD diagnostic and treatment market and expands on the Company's existing neurological research programs. The Transaction provides the Company exclusive master franchise and licensing rights to open AD screening, diagnostic, and treatment centers across Canada and in multiple U.S. markets.

The Company entered into share exchange agreements (collectively, the "Agreements") with NIC and each of the shareholders of NIC (the "NIC Shareholders") to acquire 100% of the issued and outstanding common and preferred shares of NIC (the "NIC Shares"). NIC is a Canadian company which holds the exclusive master franchise rights from NoBrunner Alzheimer's Treatment Centers, Inc. ("NATC") for the Canadian market (with the exception of the cities of Oakville and Ottawa, Ontario, which are being developed by NATC), and for Florida, excluding Miami, as well as additional franchise rights for Los Angeles and five more major U.S. cities in other U.S. states. As the flagship master franchisee, NIC has no initial franchise fees owing on its franchise territories.

Pursuant to the terms and conditions of the Agreements, final consideration paid by the Company to complete the Transaction includes:

- 5,500,000 common shares of the Company with a fair value of \$495,000 issued upon closing of the Transaction;
- 5,500,000 common share purchase warrants with a fair value of \$203,500 issued upon the closing of the Transaction;
- 450,000 preferred shares to be issued on or before the end of six months following approval of the creation of the Preferred Share class by the Company's shareholders;
- 450,000 preferred shares purchase warrants to be issued on or before the end of six months following approval of the creation of the Preferred Share class by the Company's shareholders.

As part of the acquisition described in note 4 on May 22, 2025, the Company issued 5,500,000 warrants to purchase common shares (the "May 2025 Warrants") for a period of five years. Each May 2025 Warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.15 per common share until May 22, 2026. After the first anniversary the exercise price will increase to \$0.25 per common share until May 22, 2027. After the second anniversary the exercise price will increase to \$0.50 per Common Share for the remaining 36 months. If, prior to the first anniversary, the common shares trade on the Canadian Securities Exchange ("CSE") at a price of \$0.20 or greater for a period of 20 consecutive trading days, and following 30 days written notice to the May 2025 Warrant holders, the exercise price will increase to \$0.25 per common share until the date of the second anniversary, and on the second anniversary, the exercise price will increase to \$0.50 per common share for a period of 36 months from the second anniversary. The May 2025 Warrants shall vest and become exercisable by the holders thereof on September 23, 2025.

**ALGERNON PHARMACEUTICALS INC.**

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the Nine Months Ended May 31, 2025 and 2024

(Expressed in Canadian dollars)

**4. BUSINESS COMBINATIONS (continued)**

Assuming the Company receives shareholder approval, the Preferred Shares are convertible into, without payment of any consideration and without further action on the part of the holder thereof, ten Common Shares. The Preferred Shares will include a ten percent annual dividend payable in Common Shares or Preferred Shares at the discretion of the Company's board of directors.

Each Preferred Warrant will entitle the holder thereof to purchase one Preferred Share at an exercise price (the "Preferred Exercise Price") of \$1.50 per Preferred Share for a period of 12 months from the Issuance Date, after which on first anniversary, the Preferred Exercise Price will increase to \$2.50 per Preferred Share for a period of 12 months from the first anniversary, and on the second anniversary, the Preferred Exercise Price will increase to \$5.00 per Preferred Share for a period of 36 months from the second anniversary. If, prior to the first anniversary, the Common Shares trade on the CSE at a price of \$0.20 or greater for a period of 20 consecutive trading days, and following 30 days written notice to the Preferred Warrant holders, the Preferred Exercise Price will increase to \$2.50 per Preferred Share until the date of the second anniversary, and on the second anniversary, the Preferred Exercise Price will increase to \$5.00 per Preferred Share for a period of 36 months from the second anniversary. The Preferred Warrants shall vest and become exercisable by the holders thereof on the date that is four months and one day from the date of issuance.

The fair value of the preferred shares and preferred share purchase warrants totaling \$685,800 is recorded within acquisition payable on the statement of financial position. The Company will seek shareholder approval for the Preferred Share issuance within six months of the acquisition date. If shareholder approval is not obtained, the Preferred Shares will be adjusted to Common Shares on a one for ten basis.

The fair value of the net assets acquired have been determined on a provisional basis and are based on information that is currently available to the Company. Additional information is being gathered to finalize these measurements, particularly with respect to intangible assets. Accordingly, the measurement of the net assets acquired may change upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. The following table summarizes the provisional fair values of the identifiable assets and liabilities of as at the date of the acquisition:

	Fair value recognized on acquisition
<b>Assets:</b>	
Cash	\$ 175,000
Prepaid expenses and deposits	69,350
Franchise rights	1,000,000
	1,244,350
<b>Liabilities:</b>	
Deferred income tax liabilities	265,000
	265,000
Total identifiable net assets at fair value	979,350
Goodwill arising on acquisition	404,950
Purchase consideration transferred	1,384,300
Consideration made in common shares	495,000
Consideration made in common share purchase warrants	203,500
Acquisition payable due within six months of closing	685,800
Fair value of consideration paid or payable	\$ 1,384,300

## **ALGERNON PHARMACEUTICALS INC.**

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the Nine Months Ended May 31, 2025 and 2024

(Expressed in Canadian dollars)

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#### **4. BUSINESS COMBINATIONS (continued)**

From the date of acquisition of May 22, 2025 to May 31, 2025, NIC has contributed \$3,917 expenses and net loss to the Company.

Transaction costs pertaining to the acquisition of NIC of \$33,587 were expensed and are included within professional fees on the consolidated statement of net loss (income) and comprehensive loss (income).

#### **5. 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 and accrued interest receivable from GIC's held with bank. GST receivable is not a financial instruments as they do not arise from contractual obligations. The Company limits exposure to credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada and Australia. Management believes that the credit risk with respect to receivables is minimal.

##### **Liquidity risk**

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

At May 31, 2025, the Company had a working capital deficit of \$2,640,666 compared to \$1,036,684 at August 31, 2024. This included cash and cash equivalents of \$88,176 (August 31, 2024 - \$596,198) available to meet short-term business requirements and current liabilities of \$2,874,546 (August 31, 2024 - \$1,775,447).

##### **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.

##### **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 2.95% (August 31, 2024 - 2.95%) and mature one year from the purchase date.

## ALGERNON PHARMACEUTICALS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended May 31, 2025 and 2024  
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### 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Market risk (continued)

##### 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 holds marketable securities from its investment in Seyltx. The Company is not exposed to significant other price risk as there is no active trading market for the common shares held in Seyltx.

##### c) Foreign currency risk

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

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

As at May 31, 2025, the Company had monetary assets of US\$1,839 or \$2,530 (August 31, 2024 - US\$111,409 or \$150,302) at the CAD\$ equivalent and monetary liabilities of US\$526,295 or \$724,077 (August 31, 2024 - US\$498,699 or \$672,495) 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 \$72,155 (August 31, 2024 - \$52,249).

As at May 31, 2025, the Company had monetary assets of AUD\$5,443 or \$4,816 (August 31, 2024 - AUD\$5,443 or \$4,973) at the CAD\$ equivalent and monetary liabilities of AUD\$23,468 or \$20,764 (August 31, 2024 - AUD\$23,468 or \$21,440) 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 \$1,595 (August 31, 2024 - \$1,647).

As at May 31, the Company had monetary liabilities of \$268,348 Euros or \$418,971 (August 31, 2024 - \$268,348 Euros or \$400,402) 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 \$41,897 (August 31, 2024 - \$40,040).

As at May 31, 2025, the Company had monetary liabilities of GBP\$77,452 or \$143,558 (August 31, 2024 - GBP\$77,452 or \$137,245) 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 \$14,356 (August 31, 2024 - \$13,725).

As at May 31, 2025, the Company had monetary liabilities of \$114,900 Krona or \$16,477 (August 31, 2024 - \$nil Krona or \$nil) at the CAD\$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the GBP by 10% will increase or decrease comprehensive loss by approximately \$1,648 (August 31, 2024 - \$nil).

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

**ALGERNON PHARMACEUTICALS INC.**

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**5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****Fair Value**

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

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

	<b>Financial Assets</b>		<b>Financial Assets</b>		<b>Financial Liabilities</b>	
	Fair Value Through Profit		Measured at Amortized Cost		Measured at Amortized Cost	
<b>May 31, 2025</b>						
Cash and cash equivalents	\$	88,176	\$	-	\$	-
Restricted cash equivalents		28,750		-		-
Accounts receivable		-		247		-
Accounts payable and accrued liabilities	\$	-	\$	-	\$	(2,188,746)

	<b>Financial Assets</b>		<b>Loans and Receivables</b>		<b>Financial Liabilities</b>	
	Fair Value Through Profit		Measured at Amortized Cost		Measured at Amortized Cost	
<b>August 31, 2024</b>						
Cash and cash equivalents	\$	596,198	\$	-	\$	-
Restricted cash equivalents		28,750		-		-
Accounts receivable		-		444		-
Accounts payable and accrued liabilities	\$	-	\$	-	\$	(1,775,447)

# ALGERNON PHARMACEUTICALS INC.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

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### 6. INTANGIBLE ASSETS

	Acquisition of Nash Pharma <sup>(1)</sup>	Trademark Application Costs <sup>(2)</sup>	Patent Application Costs <sup>(3)</sup>	Acquired Franchise Rights <sup>(4)</sup>	Total
<b>Cost</b>					
Balance, August 31, 2023	\$ 3,403,929	\$ 21,348	\$ 418,102	\$ -	\$ 3,843,379
Additions	-	1,922	59,790	-	61,712
Disposals (note 9)	(486,276)	-	(189,851)	-	(676,127)
Balance, August 31, 2024	\$ 2,917,653	\$ 23,270	\$ 288,041	\$ -	\$ 3,228,964
Additions	-	3,309	53,897	-	57,206
Acquired in business combination (note 4)	-	-	-	1,000,000	1,000,000
<b>Balance, May 31, 2025</b>	<b>\$ 2,917,653</b>	<b>\$ 26,579</b>	<b>\$ 341,938</b>	<b>\$ 1,000,000</b>	<b>\$ 4,286,170</b>

	Acquisition of Nash Pharma <sup>(1)</sup>	Trademark Application Costs <sup>(2)</sup>	Patent Application Costs <sup>(3)</sup>	Acquired Franchise Rights <sup>(4)</sup>	Total
<b>Accumulated Amortization</b>					
Balance, August 31, 2023	\$ -	\$ (3,257)	\$ (43,752)	\$ -	\$ (47,009)
Amortization	-	(2,233)	(24,329)	-	(26,562)
Disposals (note 9)	-	-	21,134	-	21,134
Balance, August 31, 2024	\$ -	\$ (5,490)	\$ (46,947)	\$ -	\$ (52,437)
Amortization	-	(1,939)	(15,803)	(2,466)	(20,208)
<b>Balance, May 31, 2025</b>	<b>\$ -</b>	<b>\$ (7,429)</b>	<b>\$ (62,750)</b>	<b>\$ (2,466)</b>	<b>\$ (72,645)</b>

	Acquisition of Nash Pharma <sup>(1)</sup>	Trademark Application Costs <sup>(2)</sup>	Patent Application Costs <sup>(3)</sup>	Acquired Franchise Rights <sup>(4)</sup>	Total
<b>Net Book Value</b>					
Balance, August 31, 2024	\$ 2,917,653	\$ 17,780	\$ 241,094	\$ -	\$ 3,176,527
<b>Balance, May 31, 2025</b>	<b>\$ 2,917,653</b>	<b>\$ 19,150</b>	<b>\$ 279,188</b>	<b>\$ 997,534</b>	<b>\$ 4,213,525</b>

- (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". The Company amortizes the trademarks over their estimated useful life of ten years. The Company recorded \$1,939 of amortization within general and administrative expenses on the condensed interim consolidated statement of loss (income) and comprehensive loss (income) for the nine months ended May 31, 2025 (May 31, 2024 - \$1,658).
- (3) The Company has filed new method of use patents for lead compounds for treatment of five new disease areas: NASH, CKD 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. The Company amortizes its patent application costs over their remaining estimated useful life representing the remaining months to expiration of the associated patent. The Company recorded \$15,803 of amortization within research and development expenses on the condensed interim consolidated statement of loss (income) and comprehensive loss (income) for the nine months ended May 31, 2025 (May 31, 2024 - \$19,497).

## **ALGERNON PHARMACEUTICALS INC.**

### **Notes to Unaudited Condensed Interim Consolidated Financial Statements**

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#### **6. INTANGIBLE ASSETS (continued)**

- (4) On May 22, 2025, the Company completed the acquisition transaction of NIC. Through the acquisition the Company acquired the exclusive master franchise rights NATC for the Canadian market (with the exception of the cities of Oakville and Ottawa, Ontario, which are being developed by NATC), and for Florida, excluding Miami, as well as additional franchise rights for Los Angeles and five more major U.S. cities in other U.S. states. The Company amortizes these franchise rights over their estimated useful life of ten years. The Company recorded \$2,466 of amortization within general and administrative expenses on the condensed interim consolidated statement of loss (income) and comprehensive loss (income) for the nine months ended May 31, 2025 (May 31, 2024 - \$nil).

#### **7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

During the nine months ended May 31, 2024, the Company negotiated an amount payable with a vendor of the Company resulting in a gain on settlement of trade payables totaling \$245,461 recorded on the unaudited condensed interim consolidated statements of loss (income) and comprehensive loss (income) for the nine months ended May 31, 2024.

#### **8. SHARE CAPITAL AND RESERVES**

##### **Share capital**

###### *Authorized*

Unlimited number of common shares without par value.

###### *Issued and outstanding*

As at May 31, 2025, there were 34,256,219 (August 31, 2024 – 27,300,819) common shares issued and outstanding. Details of common shares are as follows:

During the nine-month period ended May 31, 2025:

- There were 400 common shares issued during the three months ended November 30, 2024 following the exercise of 400 warrants at \$0.52 per warrant.
- There were 1,405,000 common shares issued to certain officers and directors of the Company as a result of the settlement of RSU's that vested on March 5, 2025.
- There were 50,000 common shares issued to a consultant of the Company as a result of the settlement of RSU's that vested on April 7, 2025.
- As part of the acquisition of NIC as described in note 4, the Company issued 5,500,000 common shares to the NIC shareholders with a fair value of \$495,000.

During the nine-month period ended May 31, 2024:

- 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.

## **ALGERNON PHARMACEUTICALS INC.**

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### **8. SHARE CAPITAL AND RESERVES (continued)**

#### **Share capital (continued)**

The fair value of the share purchase warrants was valued using the relative fair value approach and the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of \$0.07, exercise price of the warrant of \$0.20; expected life of 2 years; expected volatility of 112.56%; risk-free rate of return of 3.91%; and expected dividend yield of 0%. The fair value of the share purchase warrant was determined to be \$73,271.

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 and incurred other professional fees associated with the December 2023 Offering of \$5,428, which were recorded as a reduction in the value of the shares issued as share issuance costs.

The fair value of the finders' warrants was valued using the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of \$0.07, exercise price of the warrant of \$0.20; expected life of 2 years; expected volatility of 112.56%; risk-free rate of return of 3.91%; and expected dividend yield of 0%. The fair value of the finders' warrants was determined to be \$2,977, which were recorded as a reduction in the value of the shares issued as share issuance costs. The total fair value of the warrants associated with the units of the December 2023 Offering and the fair value of the finders' warrants issued was \$76,248.

- There were 506,703 common shares issued to officers and directors of the Company as a result of the settlement of RSU's that vested between January 1, 2023 and January 1, 2024.
- There were 1,625,000 common shares issued to officers and directors of the Company as a result of the settlement of RSU's that vested on January 30, 2024.
- There were 100,000 common shares issued to a consultant of the Company as a result of the exercise of 100,000 stock options with an exercise price of \$0.075 per share.
- There were 200,000 common shares issued to Maxim Group LLC. ("Maxim") pursuant to an investment banking agreement signed on June 23, 2023 following the sale of the Company's chronic cough and IPF research program.

#### **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 CSE and other applicable regulatory authorities.



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**8. SHARE CAPITAL AND RESERVES (continued)****Stock options (continued)**

Effective July 10, 2024, by way of director's resolution, the Company has limited its total stock options and restricted share units ("RSUs") to a combined 10% of the issued and outstanding common shares of the Company. Previously each plan allowed for the issuance of 10% of the issued and outstanding common shares of the Company.

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
<b>Balance at August 31, 2023</b>	931,000	\$ 2.05
Granted	100,000	\$ (0.075)
Exercised	(100,000)	\$ (0.075)
Expired, cancelled or forfeited	(146,000)	\$ (1.69)
<b>Balance outstanding at August 31, 2024</b>	785,000	\$ 2.12
Granted	1,050,000	\$ 0.09
Expired, cancelled or forfeited	(771,000)	\$ (2.08)
<b>Balance outstanding at May 31, 2025</b>	1,064,000	\$ 0.15
<b>Balance vested at May 31, 2025</b>	1,039,000	\$ 0.15

As at May 31, 2025 the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Number Outstanding	Exercise Price	Remaining Life in Years
August 17, 2020	August 17, 2025	6,000	\$ 8.75	0.21
January 1, 2022	January 1, 2027	8,000	\$ 1.03	1.59
March 6, 2025	March 6, 2030	1,000,000	\$ 0.09	4.76
April 7, 2025	April 7, 2030	50,000	\$ 0.09	4.85
Total outstanding		1,064,000	\$ 0.15	4.72
Total exercisable		1,039,000	\$ 0.15	4.72

AGN Neuro adopted a Stock Option Plan (the "AGN Neuro Plan") on December 20, 2022. Under the AGN Neuro Plan, shares of AGN Neuro are authorized for issuance to employees, officers, directors, consultants and Algernon employees in an amount up to 10% of the issued and outstanding common shares of AGN Neuro. As at May 31, 2025, no stock options have been granted under the AGN Neuro Plan.

**Restricted Share Units**

Effective July 23, 2020, the Company has a 10% rolling restricted share unit plan which allows the Company to grant 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.

Effective July 10, 2024, by way of director's resolution, the Company has limited its total stock options and RSUs to a combined 10% of the issued and outstanding common shares of the Company. Previously each plan allowed for the issuance of 10% of the issued and outstanding common shares of the Company.

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**8. SHARE CAPITAL AND RESERVES (continued)****Restricted Share Units (continued)**

The changes in RSUs outstanding are as follows:

	Number Outstanding
<b>Balance at August 31, 2023</b>	766,672
Granted	2,050,000
Settled	(2,131,672)
Expired, cancelled or forfeited	(260,000)
<b>Balance at August 31, 2024</b>	425,000
Granted	1,455,000
Settled	(1,455,000)
Expired, cancelled or forfeited	(125,000)
<b>Balance at May 31, 2025</b>	300,000
<b>Balance vested at May 31, 2025</b>	300,000

**Share-based payments****(a) Stock options**

- On March 5, 2025, the Company granted a total of 1,000,000 incentive stock options to certain officers and directors of the Company with an exercise price of \$0.09 per share. The options expire on March 5, 2030. The fair value of the incentive stock options were determined using a Black-Scholes valuation model, including the exercise price of \$0.09, risk-free rate of 2.72%, estimated life of five years, no dividend yield and a volatility of 252.52%. The incentive stock options granted vested immediately.
- On April 7, 2025, the Company granted a total of 50,000 incentive stock options to a consultant of the Company with an exercise price of \$0.09 per share. The options expire on April 7, 2030. The fair value of the incentive stock options were determined using a Black-Scholes valuation model, including the exercise price of \$0.09, risk-free rate of 2.64%, estimated life of five years, no dividend yield and a volatility of 249.33%. The incentive stock options granted vested immediately.
- During the nine months ended May 31, 2024, the Company granted a total of 100,000 incentive stock options to a consultant of the Company with an exercise price of \$0.075 per share. The options expire on January 30, 2026. The fair value of the incentive stock options were determined using a Black-Scholes valuation model, including the exercise price of \$0.075, risk-free rate of 4.04%, estimated life of two years, no dividend yield and a volatility of 113.85%. The incentive stock options granted vested immediately.
- There were no stock options exercised during the nine months ended May 31, 2025.
- During the nine months ended May 31, 2024, there were 100,000 common shares issued to a consultant of the Company as a result of the exercise of 100,000 stock options with an exercise price \$0.075 per share.
- During the nine months ended May 31, 2025, a total of 771,000 incentive stock options, 100,000 with exercise prices of \$2.50, 81,000 with exercise prices of \$7.25, 8,000 with exercise prices of \$8.75, 274,000 with exercise prices of \$1.03 and 308,000 with exercise prices of \$1.35, were forfeited and cancelled.
- During the nine months ended May 31, 2024, 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.

## **ALGERNON PHARMACEUTICALS INC.**

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#### **8. SHARE CAPITAL AND RESERVES (continued)**

##### **Share based payments (continued)**

##### **(a) Stock options (continued)**

- Under the graded vesting method, share-based payments recognized for stock options in the nine months ended May 31, 2025 totaled \$92,914 (2024 - \$4,500).

##### **(b) Restricted Share Units**

- On March 5, 2025, a total of 1,405,000 RSU units were granted to certain officers and directors of the Company with a fair value of \$0.08 per RSUs based on the five day volume average price of the Company's common shares on the CSE. The RSUs vested entirely on the grant date.
- On April 7, 2025, a total of 50,000 RSU units were granted to a consultant of the Company with a fair value of \$0.09 per RSUs based on the five day volume average price of the Company's common shares on the CSE. The RSUs vested entirely on the grant date.
- During the nine months ended May 31, 2025, a total of 1,455,000 RSUs were settled resulting in the issuance of 1,455,000 common shares of the Company to officers, directors and consultants of the Company.
- On May 21, 2024, a total of 525,000 RSU units were granted to an employee and a consultant, of the Company with a fair value of \$0.14 per RSUs based on the five day volume average price of the Company's common shares on the CSE. The RSUs vested entirely on the grant date.
- On January 30, 2024, a total of 1,625,000 RSU units were granted to certain officers and directors, of the Company with a fair value of \$0.08 per RSUs based on the five day volume average price of the Company's common shares on the CSE. The RSUs vested entirely on the grant date.
- During the nine months ended May 31, 2024, a total of 2,131,672 RSUs were settled resulting in the issuance of 2,131,672 common shares of the Company to officers and directors of the Company.
- During the nine months ended May 31, 2025, a total of 125,000 RSUs (May 31, 2024 – 180,000) were forfeited.
- Under the graded vesting method, share-based payments recognized for RSUs in the nine months ended May 31, 2025 totaled \$117,384 (2024 - \$282,158).

Overall, during the nine months ended May 31, 2025, the Company recognized share-based payment expense of \$210,298 (May 31, 2024 - \$286,658).

**ALGERNON PHARMACEUTICALS INC.**

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**8. SHARE CAPITAL AND RESERVES (continued)****Share purchase warrants**

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance at August 31, 2023</b>	8,553,237	\$ 0.64
Issued	9,093,333	\$ 0.22
<b>Balance at August 31, 2024</b>	17,646,570	\$ 0.42
Issued (note 4)	5,500,000	\$ 0.15
Exercised	(400)	\$ (0.52)
Expired	(130,400)	\$ (0.52)
<b>Balance at May 31, 2025</b>	23,015,770	\$ 0.36
<b>Balance exercisable at May 31, 2025</b>	17,515,770	\$ 0.42

As at May 31, 2025, the Company had the following warrants outstanding:

Date of Expiry	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
July 4, 2027 <sup>(1)</sup>	\$ 0.94	1,148,868	2.09
August 22, 2027	\$ 1.06	1,495,600	2.23
November 5, 2024 <sup>(2)</sup>	\$ 0.52	4,752,969	0.43
July 27, 2025	\$ 0.25	1,025,000	0.16
December 5, 2025	\$ 0.20	3,733,333	0.58
August 1, 2026	\$ 0.24	3,400,000	1.17
August 19, 2026	\$ 0.24	1,960,000	1.22
May 22, 2030 <sup>(3)</sup>	\$ 0.15	5,500,000	4.98
<b>Total</b>	<b>\$ 0.36</b>	<b>23,015,770</b>	<b>1.90</b>

- (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.

- (2) On November 4, 2024, the Company extended the expiry date of an aggregate of 4,752,969 outstanding warrants (the "2023 Warrants"). The 2023 Warrants were issued in connection with the closing of a rights offering by the Company on May 5, 2023.

The initial exercise price of the 2023 Warrants was \$0.52 and remains unchanged. The 2023 Warrants had an original expiration date of November 5, 2024. The Company extended the expiration date of the 2023 Warrants by an additional six months, so that the 2023 Warrants will expire on May 5, 2025. All other terms and conditions of the 2023 Warrants remained unchanged.

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**8. SHARE CAPITAL AND RESERVES (continued)****Share purchase warrants (continued)**

On May 5, 2025, the Company provided an additional extension to the expiry date of the 2023 Warrants. The Company extended the expiration date of the 2023 Warrants by an additional six months, so that the 2023 Warrants will expire on November 5, 2025. All other terms and conditions of the 2023 Warrants remained unchanged.

- (3) As part of the acquisition described in note 4, on May 22, 2025, the Company issued 5,500,000 warrants to purchase common shares (the "May 2025 Warrants") for a period of five years. Each May 2025 Warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.15 per common share until May 22, 2026. After the first anniversary, the exercise price will increase to \$0.25 per common share until May 22, 2027. After the second anniversary, the exercise price will increase to \$0.50 per Common Share for the remaining 36 months. If, prior to the first anniversary, the common shares trade on the CSE at a price of \$0.20 or greater for a period of twenty consecutive trading days, and following 30 days written notice to the May 2025 Warrant holders, the exercise price will increase to \$0.25 per common share until the date of the second anniversary, and on the second anniversary, the exercise price will increase to \$0.50 per common share for a period of 36 months from the second anniversary. The May 2025 Warrants shall vest and become exercisable by the holders thereof on September 23, 2025.

**Agent warrant units**

The changes in agent warrant units outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance at August 31, 2023</b>	290,466	\$ 0.59
Issued	204,800	\$ 0.22
<b>Balance at August 31, 2024</b>	495,266	\$ 0.43
Expired	(165,166)	\$ (0.25)
<b>Balance at May 31, 2025</b>	330,100	\$ 0.53

As at May 31, 2025, 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	2.09
August 22, 2027	\$ 1.03	81,920	2.23
December 27, 2025	\$ 0.20	120,000	0.58
August 1, 2026	\$ 0.24	44,800	1.17
August 19, 2026	\$ 0.24	40,000	1.22
<b>Total</b>	<b>\$ 0.53</b>	<b>330,100</b>	<b>1.34</b>

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### 9. GAIN ON SALE OF RESEARCH PROGRAM

On March 26, 2024, the Company closed an agreement with Seyltx, a privately owned U.S. based drug development company, for the sale of the Company's Ifenprodil research and development program focused on IPF and chronic cough for the purchase price of USD \$2.0M or approximately CAD \$2.7 in cash and a 20% common share equity position in Seyltx on a fully-diluted basis. A letter of intent between the Company and Seyltx was previously announced on November 21, 2023 pursuant to the transaction. Fifty percent of the Company's initial common share position will be held in escrow for a period of six months from the closing date of the transaction and the Company received anti-dilution rights in certain circumstances. The Company has also committed to providing assistance and oversight to Seyltx until the completion of the expected Phase 2b clinical trial for chronic cough.

At the closing date, the common share equity position in Seyltx was determined to have a nominal value and will be subsequently accounted for using the equity method of accounting.

Set out below are the details of the sale of the research and development program focused on IPF and chronic cough:

Cash consideration received	\$ 2,714,400
Transaction costs paid in cash	(377,683)
Transaction costs paid by issuance of common shares	(18,000)
Total consideration	2,318,717
Carrying amount of net assets sold	654,992
<b>Net gain on sale of research program</b>	<b>\$ 1,663,725</b>

Transaction costs associated with the transaction consisted of legal fees and transaction advisory services. In connection with the transaction, Maxim was paid a transaction advisory services fee pursuant to an investment banking agreement with the Company whereby Maxim was retained to identify and evaluate potential merger and acquisition and strategic opportunities. Maxim also received 200,000 common shares of the Company in connections with the investment banking agreement.

### 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

Related party transactions to key management personnel are as follows:

Nine months ended	May 31, 2025	May 31, 2024
Short-term benefits <sup>(1)</sup>	\$ 409,984	\$ 644,165
Consulting fees – other <sup>(2)</sup>	2,250	2,250
Share-based payments	202,934	245,283
	<b>\$ 615,168</b>	<b>\$ 891,698</b>

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

- (1) Salaries paid to officers and directors fees to independent directors:
- \$165,000 (May 31, 2024 - \$330,000, including a bonus of \$165,000) to Chief Executive Officer;
  - \$90,000 (May 31, 2024 - \$180,000, including a bonus of \$90,000) to Chief Financial Officer;
  - \$95,500 (May 31, 2024 - \$77,000, including a bonus of \$44,500) to the Vice President Research and Operations
  - \$18,000 (May 31, 2024 - \$18,000) to Chairman and independent director;
  - \$13,500 (May 31, 2024 - \$13,500) to an independent director;
  - \$13,500 (May 31, 2024 - \$13,500) to an independent director;
  - \$12,485 (May 31, 2024 - \$12,165) to an independent director.
- (2) For the nine months ended May 31, 2025, \$2,250 (May 31, 2024 - \$2,250) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services.

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

As at	May 31, 2025	August 31, 2024
Key management personnel – consulting fees	\$ 67,113	\$ -
Key management personnel – directors fees	55,143	22,889
Total	\$ 122,256	\$ 22,889

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 nine months ended May 31, 2025. The Company is not subject to externally imposed capital requirements.

### 12. SEGMENTED DISCLOSURES

The Company was a Canadian clinical stage pharmaceutical development company that operated in two geographical segments: drug development in Canada, and the facilitation of the Company's lead drug candidates into clinical trials in Australia and one reportable operating segment: drug development (the "Drug Development Segment").

Through the acquisition of NIC completed on May 22, 2025 (note 4), the Company has entered into a new reportable operating segment, the AD diagnostic and treatment market (the "AD Segment"). Between the acquisition closing on May 22, 2025 and May 31, 2025 the Company incurred nominal expenses pertaining to the AD Segment.

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**12. SEGMENTED DISCLOSURES** (continued)

Segment and geographical information of the Company's long-term assets are as follows:

As at May 31, 2025, the Company's intangible assets were allocated and located as follows:

	<b>Drug Development Segment</b>	<b>AD Segment</b>	<b>Total</b>
Intangible assets	\$ 3,215,990	\$ 997,535	\$ 4,213,525
Goodwill	-	404,950	404,950
	<b>\$ 3,215,990</b>	<b>\$ 1,402,485</b>	<b>\$ 4,618,475</b>

  

	<b>Canada</b>	<b>Australia</b>	<b>Total</b>
Intangible assets	\$ 4,213,525	\$ -	\$ 4,213,525
Goodwill	404,950	-	404,950
	<b>\$ 4,618,475</b>	<b>\$ -</b>	<b>\$ 4,618,475</b>

As at August 31, 2024, the Company's intangible assets were located as follows:

	<b>Canada</b>	<b>Australia</b>	<b>Total</b>
Intangible assets	\$ 3,176,527	\$ -	\$ 3,176,527

**13. SUBSEQUENT EVENTS**

Subsequent to May 31, 2025:

The Company closed a private placement financing of subscription receipts (the "Subscription Receipts"), with the first tranche (the "First Tranche") closed for gross proceeds of \$621,000 with the issuance of 1,035,000 Subscription Receipts and the second tranche (the "Second Tranche") closed for gross proceeds of \$140,000 with the issuance of 233,334 Subscription Receipts.

Each Subscription Receipt was issued for \$0.60 and each Subscription Receipt will be deemed converted into one preferred unit (a "Preferred Unit") if certain release conditions are met by the Company within 120 days of the issuance of the Subscription Receipt or if the release conditions are not met, ten Common Units.

Each Preferred Unit consists of one preferred share in the capital of the Company (a "Preferred Share") and one half Preferred Share purchase warrant. Each full Preferred Warrant (a "Preferred Warrant") will entitle the holder to acquire one Preferred Share (a "Preferred Warrant Share") at an exercise price of \$1.50 per Preferred Warrant Share (the "Preferred Exercise Price") for a period of 12 months from the issuance date, after which on first anniversary of the issuance date, the Preferred Exercise Price will increase to \$2.50 per Preferred Warrant Share for a period of 12 months from the first anniversary, and on the second anniversary of the issuance date, the Preferred Exercise Price will increase to \$5.00 per Preferred Warrant Share for a period of 36 months from the second anniversary.



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### **13. SUBSEQUENT EVENTS (continued)**

Each Common Unit consists of one Class A common share in the capital of the Company (a "Common Share") and one-half Common Share purchase warrant. Each full Common Warrant (a "Common Warrant") will entitle the holder to acquire one Common Share (a "Common Warrant Share") at an exercise price of \$0.15 per Common Warrant Share (the "Common Exercise Price") for a period of 12 months from the issuance date, after which on the first anniversary of the issuance date, the Common Exercise Price will increase to \$0.25 per Common Warrant Share for a period of 12 months from the first anniversary, and on the second anniversary of the issuance date, the Common Exercise Price will increase to \$0.50 per Common Warrant Share for a period of 36 months from the second anniversary.

The Common Warrants and Preferred Warrants are subject to an acceleration of their price if prior to the first anniversary of the issuance date, the Common Shares trade on the CSE at a price of \$0.20 or greater for a period of 20 consecutive trading days. Following 30 days written notice to the Common Warrant holders, the Common Exercise Price will increase to \$0.25 per Common Warrant Share until the date of the second anniversary of the issuance date, and on the second anniversary, the Common Exercise Price will increase to \$0.50 per Common Warrant Share for a period of 36 months from the second anniversary. Additionally, the Preferred Exercise Price will increase to \$2.50 per Preferred Warrant Share until the date of the second anniversary of the issuance date, and on the second anniversary, the Preferred Exercise Price will increase to \$5.00 per Preferred Warrant Share for a period of 36 months from the second anniversary.

The Company paid cash finder's fees pertaining to the First Tranche totaling \$16,800 and will issue finders warrants upon the conversion of the Subscription Receipts, to eligible finders for investors introduced to the Company by the eligible finder. **The Company did not pay any cash finder's fees pertaining to the Second Tranche of the Offering.**

The Company will use the proceeds of the private placement towards advancing its new AD initiative for the opening of its first U.S. neuroimaging clinic planned to open in calendar Q4 2025, general and administrative expenses and for working capital purposes.

The Company will expedite its annual meeting in order to seek shareholder approval for the Preferred Share issuance before the end of October 2025. Assuming the Company receives shareholder approval, the Preferred Shares are convertible into, without payment of any consideration and without further action on the part of the holder thereof, ten Common Shares. The Preferred Shares will include a ten percent annual dividend payable in Common Shares or Preferred Shares at the discretion of the Company's board of directors. If shareholder approval is not obtained, the Preferred Shares will be adjusted to Common Shares on a one for ten basis.