



**ALPHA COGNITION INC.**

**Condensed Interim Consolidated Financial Statements**

**(Expressed in United States Dollars - Unaudited)**

**For the Three Months Ended March 31, 2023 and 2022**

**ALPHA COGNITION INC.**  
**TABLE OF CONTENTS**  
**(Expressed in United States Dollars - Unaudited)**

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	<b>PAGE</b>
<b>FINANCIAL STATEMENTS</b>	
Condensed Interim Consolidated Statements of Financial Position .....	2
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss .....	3
Condensed Interim Consolidated Statements of Changes in Equity (Deficiency) .....	4
Condensed Interim Consolidated Statements of Cash Flows .....	5
Notes to Condensed Interim Consolidated Financial Statements .....	6

**ALPHA COGNITION INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in United States Dollars)

	Note	(Unaudited) March 31, 2023 \$	December 31, 2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		3,876,812	2,083,696
Prepaid expenses and other current assets		154,072	249,045
		4,030,884	2,332,741
<b>Equipment</b>		3,298	3,824
<b>Intangible asset</b>	3	593,792	614,386
		<b>4,627,974</b>	<b>2,950,951</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	1,980,354	2,845,381
Promissory note	5	-	1,211,463
		1,980,354	4,056,844
<b>Other long-term liabilities</b>	6	11,183	8,295
<b>Promissory note</b>	5	1,167,102	-
<b>Derivative liability</b>	7	150,791	205,989
		3,309,430	4,271,128
<b>EQUITY (DEFICIENCY)</b>			
Share capital	7	45,433,266	40,258,943
Reserves	7	7,738,963	8,492,459
Accumulated other comprehensive loss		(120,967)	(84,728)
Accumulated deficit		(51,732,718)	(49,986,851)
		1,318,544	(1,320,177)
		<b>4,627,974</b>	<b>2,950,951</b>

Note 1 – Nature of operations and going concern

Note 10 – Commitments

Note 15 – Subsequent events

Approved on behalf of the Board on May 23, 2023

/s/ Kenneth Cawkell, Director

/s/ Len Mertz, Director

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

**ALPHA COGNITION INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in United States Dollars - Unaudited)

		For the three months ended March 31,	
	Note	2023	2022
		\$	\$
<b>Operating expenses</b>			
Amortization expense	3	20,594	20,594
Consulting fees		21,460	31,787
Depreciation		526	1,737
Financing costs	5	27,168	39,043
Investor relations		4,067	89,026
Management fees and salaries	9	278,613	250,203
Marketing		5,774	8,454
Other general and administrative	9	71,174	99,382
Professional fees		277,056	154,126
Registrar and filing fees		11,788	19,684
Research and development	8,9	1,114,013	1,775,651
Share-based compensation	9	168,055	343,237
Subcontractors		3,652	94,600
Travel and related		-	14,798
		2,003,940	2,942,322
<b>Loss before other income (expenses)</b>		<b>(2,003,940)</b>	<b>(2,942,322)</b>
<b>Other income (expenses)</b>			
Foreign exchange gain (loss)		28,019	(57,788)
Interest income		172	115
Gain on revaluation of derivative liability	7	55,198	86,671
Gain on debt modification	5	59,079	-
		142,468	28,998
<b>Loss for the period</b>		<b>(1,861,472)</b>	<b>(2,913,324)</b>
<b>Other comprehensive loss that may be reclassified to net loss:</b>			
Currency translation adjustment		(36,239)	200,077
<b>Comprehensive loss for the period</b>		<b>(1,897,711)</b>	<b>(2,713,247)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.02)</b>	<b>(0.04)</b>
<b>Basic and diluted weighted average number of shares outstanding</b>		<b>77,849,023</b>	<b>67,658,379</b>

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

**ALPHA COGNITION INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
(Expressed in United States Dollars - Unaudited)

	Common shares		Class A Restricted shares		Class B Preferred shares		Total share capital		Reserves	Accumulated Other Comprehensive	Accumulated	Total
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		Loss	Deficit	
		\$		\$		\$		\$		\$	\$	
<b>Balance, December 31, 2021</b>	<b>60,606,931</b>	<b>36,908,094</b>	<b>7,000,000</b>	<b>3,103,620</b>	<b>7,916,380</b>	<b>62</b>	<b>75,523,311</b>	<b>40,011,776</b>	<b>7,153,252</b>	<b>(101,534)</b>	<b>(38,033,903)</b>	<b>9,029,591</b>
Options exercised	416,519	247,167	-	-	-	-	416,519	247,167	(206,382)	-	-	40,785
Share-based compensation	-	-	-	-	-	-	-	-	495,438	-	-	495,438
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	200,077	-	200,077
Loss for the period	-	-	-	-	-	-	-	-	-	-	(2,913,324)	(2,913,324)
<b>Balance, March 31, 2022</b>	<b>61,023,450</b>	<b>37,155,261</b>	<b>7,000,000</b>	<b>3,103,620</b>	<b>7,916,380</b>	<b>62</b>	<b>75,939,830</b>	<b>40,258,943</b>	<b>7,442,308</b>	<b>98,543</b>	<b>(40,947,227)</b>	<b>6,852,567</b>
Forfeited share options	-	-	-	-	-	-	-	-	(161,750)	-	161,750	-
Share-based compensation	-	-	-	-	-	-	-	-	1,211,901	-	-	1,211,901
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(183,271)	-	(183,271)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(9,201,374)	(9,201,374)
<b>Balance, December 31, 2022</b>	<b>61,023,450</b>	<b>37,155,261</b>	<b>7,000,000</b>	<b>3,103,620</b>	<b>7,916,380</b>	<b>62</b>	<b>75,939,830</b>	<b>40,258,943</b>	<b>8,492,459</b>	<b>(84,728)</b>	<b>(49,986,851)</b>	<b>(1,320,177)</b>
Units issued for cash	23,747,648	4,506,055	-	-	-	-	23,747,648	4,506,055	-	-	-	4,506,055
Share issuance costs	2,129,566	(281,704)	-	-	-	-	2,129,566	(281,704)	73,018	-	-	(208,686)
Expired share options	-	-	-	-	-	-	-	-	(115,605)	-	115,605	-
Expired warrants	-	949,972	-	-	-	-	-	949,972	(949,972)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	239,063	-	-	239,063
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(36,239)	-	(36,239)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,861,472)	(1,861,472)
<b>Balance, March 31, 2023</b>	<b>86,900,664</b>	<b>42,329,584</b>	<b>7,000,000</b>	<b>3,103,620</b>	<b>7,916,380</b>	<b>62</b>	<b>101,817,044</b>	<b>45,433,266</b>	<b>7,738,963</b>	<b>(120,967)</b>	<b>(51,732,718)</b>	<b>1,318,544</b>

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

**ALPHA COGNITION INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States Dollars - Unaudited)

	<b>For the three months ended</b>	
	<b>2023</b>	<b>March 31,</b>
	<b>\$</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Loss for the period	(1,861,472)	(2,913,324)
Adjustments for non-cash items		
Amortization of intangible assets	20,594	20,594
Accretion of discount on promissory note	24,293	31,704
Accrued interest	-	5,974
Accrued bonus rights	2,888	-
Depreciation of equipment	526	1,737
Gain on debt modification	(59,079)	-
Gain on revaluation of derivative liability	(55,198)	(86,671)
Share-based compensation	239,063	495,438
Changes in non-cash operating working capital items:		
Prepaid expenses and other current assets	94,973	(45,252)
Accounts payable and accrued liabilities	(854,018)	54,803
	<b>(2,447,430)</b>	<b>(2,434,997)</b>
<b>Cash flows provided by financing activities</b>		
Units issued for cash	4,506,055	-
Exercise of options	-	40,785
Interest paid on promissory notes	(20,584)	(6,000)
Share issuance costs	(208,686)	-
	<b>4,276,785</b>	<b>34,785</b>
<b>Effect of foreign exchange on cash</b>	<b>(36,239)</b>	<b>181,383</b>
<b>Change in cash during the period</b>	<b>1,793,116</b>	<b>(2,218,829)</b>
<b>Cash, beginning of period</b>	<b>2,083,696</b>	<b>11,301,793</b>
<b>Cash, end of period</b>	<b>3,876,812</b>	<b>9,082,964</b>

Note 13 – Supplemental disclosure with respect to cash flows

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

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN**

Alpha Cognition Inc. (“ACI” or the “Company”) is in the business of researching and developing pharmaceutical treatments for neurological diseases. The Company operates from its three offices located in Charlottetown, Prince Edward Island; Vancouver, British Columbia; and Frisco, Texas. The head office and registered and records office of the Company is 301 – 1228 Hamilton Street, Vancouver, BC, V6B 6L2. As of May 1, 2023 the Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “ACOG”, previously the Company’s shares were traded on the TSX Venture Exchange (“TSX-V”) until April 28, 2023 when the Company had them delisted. The Company’s shares also trade on the Over-The-Counter Markets (“OTC”) under the trading symbol “ACOGF”.

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has not generated revenues from its operations to date and at March 31, 2023, had a working capital of \$2,050,530 and accumulated deficit of \$51,732,718 (December 31, 2022 - \$49,986,851) which has been primarily financed by equity. The Company’s continuing operations, as intended, are dependent upon its ability to generate cash flows or obtain additional financing. Management is of the opinion that it does not have sufficient working capital to meet the Company’s liabilities and commitments as they become due for the upcoming 12 months. Management intends to finance operating costs over the next twelve months with private placements and public offerings of the Company’s common shares and funds received from the exercise of warrants and share options. Additionally, the Company will also consider funding that may arise through partnerships activities and debt. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company to meet its obligations and fund continuing operations. These factors indicate the existence of a material uncertainty which causes significant doubt in the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies used in the preparation of these condensed interim consolidated financial statements.

**Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Condensed Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited consolidated financial statements of Alpha Cognition Inc. for the year ended December 31, 2022.

These financial statements of the Company were approved and authorized for use by the Board of Directors on May 23, 2023.

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of presentation**

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities, including derivative instruments, which are measured at fair value. The condensed interim consolidated financial statements are presented in United States dollars (“USD”) unless otherwise noted.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting period as follows:

	Incorporation	Percentage owned	
		2023	2022
Alpha Cognition Canada Inc.	Canada	100%	100%
Alpha Cognition USA Inc. (“ACI USA”)	USA	100%	100%

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

**Functional and presentation currency**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Canadian dollars (“CAD”) and the functional currencies of its subsidiaries is USD. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities in foreign currencies are translated at historical rates. Revenues and expenses are translated at the average exchange rates approximating those in effect during the reporting period.

For the purposes of presenting condensed interim consolidated financial statements, the assets and liabilities of the Company’s CAD operations are translated to USD at the exchange rate at the reporting date. The income and expenses are translated using average rates. Foreign currency differences that arise on translation for consolidation purposes are recognized in other comprehensive loss.

**Significant accounting estimates and judgments**

The preparation of the condensed interim consolidated 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 condensed interim consolidated 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. Significant estimates and judgements made by management in the preparation of these condensed interim consolidated financial statements are outlined below.



**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting estimates and judgments (continued)**

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 subsidiaries, 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 and whether any impairment indicators exist, 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.

Useful lives of intangible assets

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.

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, bonus rights 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.

Valuation of bonus rights

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of the bonus rights. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Additionally, the Company applies a probability of the likelihood of certain thresholds being met. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Valuation of debt modification

The Company calculated the debt modification using the net present value of cash flows approach. This approach requires the input of subjective assumptions including the Company's borrowing rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is charged over the estimated useful lives using the declining balance method as follows:

Computer equipment	55%
Other equipment	20%

**Intangible assets**

Intangible assets are carried at cost less accumulated amortization and any impairment losses. The amortization method, useful life and residual values are assessed annually. Amortization expense is recorded on a straight-line basis beginning with the month the corresponding assets are available for use and over the estimated useful lives provided below:

Licenses	15 years
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If, after expenditures are capitalized, events or changes in circumstances indicate that the carrying amount may not be recoverable, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit and loss.

**Accounting pronouncements not yet adopted**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

ALPHA COGNITION INC.  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars - Unaudited)  
March 31, 2023

NOTE 3 – INTANGIBLE ASSET

	Licenses
	\$
<b>Cost:</b>	
At December 31, 2021	1,235,633
Additions	-
At December 31, 2022 and March 31, 2023	1,235,633
<b>Amortization:</b>	
At December 31, 2021	538,871
Additions	82,376
At December 31, 2022	621,247
Additions	20,594
At March 31, 2023	641,841
<b>Net book value:</b>	
At December 31, 2022	614,386
<b>At March 31, 2023</b>	<b>593,792</b>

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	December 31, 2022
	\$	\$
Accounts payable	1,023,754	2,016,057
Accrued liabilities	559,032	278,664
Accrued bonus and wages	397,568	550,660
	<b>1,980,354</b>	<b>2,845,381</b>

NOTE 5 – PROMISSORY NOTE

The following is a continuity schedule of the carrying value of the promissory notes and accrued interest:

	Principal	Accrued Interest
	\$	\$
Balance, December 31, 2021	1,075,820	2,771
Interest payments	-	(16,000)
Accretion	135,643	-
Accrued interest	-	24,230
Balance, December 31, 2022	1,211,463	11,001
Debt modification	(59,079)	-
Interest payments	(9,575)	(11,001)
Accretion	24,293	-
<b>Balance, March 31, 2023</b>	<b>1,167,102</b>	<b>-</b>

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 5 – PROMISSORY NOTE (continued)**

In March 2015, the Company issued a promissory note of \$1,400,000 to Neurodyn Life Sciences Inc (“NLS”), a related party through a common director, for the acquisition of the Alpha-1062 Technology (“NLS Promissory Note”) (Note 10). In April 2015, the Company and NLS entered into an amendment to the License Agreement (defined in Note 10) pursuant to which the interest rate was reduced to 2% and the maturity date was extended to December 31, 2022, with interest only payments commencing April 1, 2019, at the rate of \$2,000 per month. In March 2023, the Company and NLS entered into a second amending agreement pursuant to which the interest rate was increased to 5.5% and the maturity date was extended to July 15, 2024, with monthly interest only payments required. The Company may pay all or any portion of the note and accrued interest prior to the maturity date.

The second amendment was determined to be an extinguishment transaction with a related party resulting in the difference in net present value of the cash flows of \$59,079, calculated using an effective interest rate of 8.5%, being recognized as a gain on debt modification in the consolidated statements of loss and comprehensive loss.

During the three months ended March 31, 2023, the Company recorded interest and accretion expense of \$24,293 (March 31, 2022 - \$37,678), included in financing costs.

As at March 31, 2023, the principal balance owing on the promissory note was \$1,211,463 (December 31, 2022 - \$1,211,463) and the remaining debt discount was \$44,361 (December 31, 2022 - \$nil). Additionally, the accrued interest of \$nil (December 31, 2022 - \$11,001) is included in accrued liabilities.

**NOTE 6 – OTHER LONG-TERM LIABILITIES**

The Company adopted a cash bonus policy which may grant bonus rights to certain eligible participants, which include employees, officers or consultants of the Company, that are payable in cash. These bonus rights are cash-settled share-based payment awards recognized over the vesting period and are revalued at each reporting date with the amount recognized included in management fees and salaries on the Company’s condensed interim consolidated statement of loss and comprehensive loss.

During the year ended December 31, 2022, officers of the Company were granted the ability to earn up to 9,261,196 bonus rights entitling them to a cash bonus equal to an amount by which the fair market value of one common share of the Company (calculated as the 30-day Volume Weighted Average Price (“VWAP”) per common share) exceeds \$1.58 multiplied by the number of bonus rights vested. The bonus rights earned will vest on the earlier of the date of a change of control or April 15, 2024 and will be payable upon vesting. The bonus rights will be earned in tranches based on the price of the Company’s common share exceeding certain thresholds. As at March 31, 2023, the Officers had earned 2,376,764 (December 31, 2022 - 2,376,764) bonus rights.

On initial recognition, the Company recorded an expense of \$56,988 to recognize the proportionate unvested bonus rights. As at March 31, 2023, the Company revalued the bonus rights to \$11,183 (December 31, 2022 - \$8,295).

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
		\$
<b>Balance, beginning of period</b>	<b>8,295</b>	-
Initial recognition of bonus rights	-	56,988
Adjustment	2,888	(48,693)
<b>Balance, end of period</b>	<b>11,183</b>	<b>8,295</b>

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

**NOTE 6 – OTHER LONG-TERM LIABILITIES (continued)**

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the initial valuations and the re-valuations of the bonus rights as at December 31, 2022 and March 31, 2023:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>Initial Valuation</b>
Risk-free interest rate	4.30%	4.51%	1.47%
Dividend yield	-	-	-
Forfeiture rate	-	-	-
Expected life	1.04 years	1.29 years	1.13 years
Volatility	117.17%	94%	60%
Weighted average fair value per bonus right	\$0.01	\$0.01	\$0.16
Number of probable bonus rights to vest	2,459,125	2,444,625	2,434,134

A continuity of bonus rights is as follows:

	<b>Number of Bonus Rights Outstanding</b>	<b>Number of Bonus Rights Earned</b>
Balance, December 31, 2021	-	-
Issued	9,261,186	2,376,764
<b>Balance, December 31, 2022 and March 31, 2023</b>	<b>9,261,186</b>	<b>2,376,764</b>

**NOTE 7 – SHARE CAPITAL**

**Authorized share capital**

The Company is authorized to issue the following share capital:

- Unlimited common voting shares without par value (“Common share”)
- Unlimited Class A restricted voting shares without par value (“Restricted share”)
- Unlimited Class B preferred Series A voting shares with a par value of \$0.25 per share, convertible on a 1:1 basis into Common shares (“Class B preferred shares”)

**Issued share capital**

During the three months ended March 31, 2023, the Company issued the following shares:

- Completed a private placement by issuing 23,747,648 units at a price of CAD\$0.255 for total proceeds of \$4,506,055 (CAD\$6,055,650) with each unit consisting of one Common share and one warrant exercisable at a price of CAD\$0.39 per warrant for a term of 5 years from the closing date (“Q1 2023 PP”). The Q1 2023 PP was completed through the closing of two tranches: one in February 2023 and one in March 2023. In connection with the Q1 2023 PP, the Company agreed to pay cash commissions of \$172,480 and issue 2,129,566 common shares and 324,642 warrants with an estimated fair value of \$618,004 and \$73,018, respectively, to the agents. Each agent warrant is exercisable into one Common share of the Company at an exercise price of CAD\$0.39 for a term of 5 years.

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 7 – SHARE CAPITAL (continued)**

**Issued share capital (continued)**

During the year ended December 31, 2022, the Company issued the following shares:

- 350,000 Common shares for the exercise of 350,000 ACI Canada legacy performance options at a price of \$0.01 per share for total proceeds of \$3,500. As a result, the Company transferred \$174,285 from reserves to share capital.
- 66,519 Common shares for the exercise of 66,519 Common share options at a price of CAD\$0.714 per share for total proceeds of \$37,285 (CAD\$47,495). As a result, the Company transferred \$32,097 from reserves to share capital.

**Escrow shares**

As at March 31, 2023, the Company had 14,820,555 (December 31, 2022 – 19,754,347) Common shares, 2,448,696 (December 31, 2022 – 3,116,518) Restricted Shares, and 4,044,889 (December 31, 2022 – 5,099,866) Class B preferred shares held in escrow.

**Warrants**

During the three months ended March 31, 2023, the Company issued the following warrants:

- 16,795,221 warrants with an exercise price of CAD\$0.39 and expiry of February 16, 2028, in connection with the first tranche of the Q1 2023 PP.
- 6,952,427 warrants with an exercise price of CAD\$0.39 and expiry of March 15, 2028, in connection with the second tranche of the Q1 2023 PP.
- 324,642 warrants with an exercise price of CAD\$0.39 and an expiry of March 15, 2028, to the agents of the Company’s Q1 2023 PP.

In March 2023, 2,617,380 warrants expired resulting in \$949,972 being reallocated from reserves to common shares.

A continuity of warrants is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
		\$
Balance, December 31, 2021 and 2022	15,981,290	1.15
Issued	24,072,290	0.29 (CAD\$0.39)
Expired	(2,617,380)	1.53
<b>Balance, March 31, 2023</b>	<b>37,436,200</b>	<b>0.57</b>

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

**NOTE 7 – SHARE CAPITAL (continued)**

**Warrants (continued)**

A summary of the warrants outstanding and exercisable March 31, 2023, is as follows:

<b>Warrants Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	
40,000	0.40	July 5, 2023
9,602,500	1.29 (CAD\$1.75)	October 1, 2023
659,627	1.11 (CAD\$1.50)	October 1, 2023
3,061,783	0.40	August 30, 2024
16,795,221	0.29 (CAD\$0.39)	February 16, 2028
7,277,069	0.29 (CAD\$0.39)	March 15, 2028
<b>37,436,200</b>		

The weighted average life of warrants outstanding at March 31, 2023 was 3.41 years.

**Share Options**

Common share options

As of March 31, 2023, the Company has a Stock Option Plan for its directors, officers, employees and consultants under which the Board of Directors of the Company may grant non-transferable share options totaling in aggregate up to 10% of the Company's issued and outstanding common shares, exercisable for a period of up to ten years from the date of grant, and at an exercise price which is not less than that permitted by the TSX-V.

During the three months ended March 31, 2023, the Company had the following share options transactions:

- In January 2023, the Company canceled 2,600,000 outstanding stock options with an exercise price of CAD\$0.90 and issued 2,600,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until July 31, 2024. The expiry dates remained unchanged.
- In January 2023, the Company canceled 940,000 options with an exercise price of CAD\$1.12 and issued 940,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until September 30, 2023. The expiry dates remained unchanged.
- In January 2023, the Company canceled 215,000 options with an exercise price of CAD\$1.05 and issued 215,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.
- In January 2023, the Company canceled 450,000 options with an exercise price of CAD\$0.93 and issued 450,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.
- In January 2023, the Company canceled 400,000 options with an exercise price of CAD\$0.64 and issued 400,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until July 31, 2024. The expiry dates remained unchanged.
- In January 2023, the Company canceled 50,000 options with an exercise price of CAD\$0.64 and issued 50,000 new options with an exercise price of CAD\$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.

The incremental fair value is the difference between the fair value of the modified share-based payment and that of the original share-based payment both measured at the date of the modification. The incremental fair value of \$98,017 resulting from the stock option modifications is being recognized over the new vesting terms and the balance of the original grant-date fair value is being recognized over the remaining original vesting period.

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 7 – SHARE CAPITAL (continued)**

**Share Options (continued)**

Common share options (continued)

During the year ended December 31, 2022, the Company had the following share option transactions:

- In February 2022, the Company granted 230,000 share options with an exercise price of CAD\$1.05 per share to certain employees of ACI USA and a consultant of ACI Canada. The options will be subject to the following vesting terms: 25% will vest on February 14, 2023 and the remaining 75% will vest in equal monthly instalments until February 14, 2025. These options were cancelled in January 2023.
- In April 2022, the Company granted 450,000 share options to the CFO of the Company with an exercise price of CAD\$0.93 per share for a period of ten years from date of grant. The options will be subject to the following vesting terms: 25% will vest in equal monthly instalments until April 11, 2023 and the remaining 75% will vest in equal monthly instalments until April 11, 2025. These options were cancelled in January 2023.
- In May 2022, the Company granted 400,000 share options to certain directors of the Company with an exercise price of CAD\$0.64 per share. The options will be subject to the following vesting terms: 50% will vest on date of grant and the remaining 50% will vest quarterly over a 24-month period. These options expired unexercised in April 2023.
- In May 2022, the Company granted 90,000 share options with an exercise price of CAD\$0.64 per share. The options will be subject to the following vesting terms: 25% will vest on date of grant and the remaining 75% will vest in equal monthly instalments over a 24-month period. These options were cancelled in January 2023.
- During the year ended December 31, 2022, 895,007 stock options were forfeited, of which \$161,750 reallocated from reserves to deficit, \$5,532 was reallocated from reserves to share-based compensation under general and administrative, and \$112,017 was reallocated from reserves to share-based compensation under research and development.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the share options issued:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Risk-free interest rate	2.76%	2.62%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	8.80 years	10 years
Volatility	97%	84%
Weighted average fair value per option	\$0.24	\$0.56

For the three months ended March 31, 2023, share-based compensation expense relating to service condition awards amounted to \$239,063 (March 31, 2022 - \$495,438) of which \$71,008 (March 31, 2022 - \$152,201) was allocated to research and development and \$168,055 (March 31, 2022 - \$343,237) to general and administrative, the latter which has been presented in share-based compensation expense.



ALPHA COGNITION INC.  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars - Unaudited)  
March 31, 2023

NOTE 7 – SHARE CAPITAL (continued)

Share options (continued)

Common share options (continued)

Common share option continuity is as follows:

	Three months ended March 31, 2023			Year ended December 31, 2022		
	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise
Balance, beginning of period	5,506,071	\$ 0.72	\$ -	5,297,597	\$ 0.81	\$ -
Granted	-	-	-	1,170,000	0.61	-
Expired	(200,000)	1.55	-	(895,007)	0.64	-
Exercised	-	-	-	(66,519)	0.53	0.81
<b>Balance, end of period</b>	<b>5,306,071</b>	<b>0.24</b>	<b>-</b>	<b>5,506,071</b>	<b>0.72</b>	<b>-</b>
<b>Options exercisable, end of period</b>	<b>1,009,616</b>			<b>2,546,071</b>		

A summary of the common share options outstanding at March 31, 2023, is as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		\$	
31,513	31,513	0.53 (CAD\$0.714)	September 21, 2023
39,154	39,154	0.40	June 1, 2029
39,154	39,154	0.40	July 22, 2030
2,600,000	288,889	0.21 (CAD\$0.28)	August 3, 2031
131,250	131,250	0.80	August 16, 2031
940,000	235,000	0.21 (CAD\$0.28)	December 20, 2031
400,000	137,500	0.83 (CAD\$1.12)	December 20, 2031
215,000	17,917	0.21 (CAD\$0.28)	February 14, 2032
450,000	37,500	0.21 (CAD\$0.28)	April 11, 2032
450,000	48,614	0.21 (CAD\$0.28)	May 31, 2032
10,000	3,125	0.47 (CAD\$0.64)	May 31, 2032
<b>5,306,071</b>	<b>1,009,616</b>		

The weighted average life of common share options outstanding at March 31, 2023 was 8.53 years.

ALPHA COGNITION INC.  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars - Unaudited)  
March 31, 2023

NOTE 7 – SHARE CAPITAL (continued)

Share options (continued)

ACI Canada legacy performance options

The Company retained ACI Canada’s stock option plan whereby ACI Canada could grant share options to directors, officers, employees and consultants enabling them to acquire common shares. Options granted had a maximum term of ten years and the board of directors determined the vesting requirements. From time to time, the Company granted performance-based share options to management and consultants. These options vest based on the Company’s achievement of certain performance goals and operational metrics, as applicable, subject to continuous employment by each recipient.

ACI Canada legacy performance option continuity is as follows:

	Three months ended March 31, 2023			Year ended December 31, 2022		
	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise
Balance, beginning of year	9,521,057	\$ 0.01	\$ -	9,941,057	0.01	\$ -
Cancelled	-	-	-	(70,000)	0.01	-
Exercised	-	-	-	(350,000)	0.01	0.83
<b>Balance, end of year</b>	<b>9,521,057</b>	<b>0.01</b>		<b>9,521,057</b>	<b>0.01</b>	
<b>Options exercisable, end of year</b>	<b>8,731,057</b>			<b>8,731,057</b>		

A summary of the Common share options outstanding at March 31, 2023, is as follows:

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
4,400,000	3,960,000	0.01	September 1, 2028
3,530,000	3,180,000	0.01	June 1, 2029
<b>9,521,057</b>	<b>8,731,057</b>		

The weighted average life of ACI Canada legacy performance options outstanding at March 31, 2023 was 5.41 years

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars - Unaudited)  
**March 31, 2023**

**NOTE 7 – SHARE CAPITAL (continued)**

**Derivative liability**

Due to the Company acquiring warrants from ACI Canada on the completion of the Transaction with an exercise price in a currency different from its functional currency, a derivative liability was recorded on the date of the transfer of ACI Canada’s previously issued warrants with USD exercise prices. This derivative liability is being revalued at each reporting period.

On initial recognition, the Company recorded a loss of \$7,810,547 to recognize the derivative liability. As at March 31, 2023, the Company revalued the derivative liability to \$150,791 (December 31, 2022 - \$205,989) and recorded a gain on revaluation of \$55,198 (March 31, 2022 –\$86,671).

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$
<b>Balance, beginning of period</b>	205,989	2,048,127
Conversion	-	-
Revaluation of derivative liability	(55,198)	(1,842,138)
<b>Balance, end of period</b>	<b>150,791</b>	<b>205,989</b>

A summary of the warrants with USD exercise prices outstanding and exercisable at March 31, 2023, is as follows:

<b>Warrants Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	
40,000	0.40	July 5, 2023
3,061,783	0.40	August 30, 2024
<b>3,101,783</b>		

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the re-valuations as at December 31, 2022 and March 31, 2023:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Risk-free interest rate	3.76%	4.03%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	1.40 years	1.65 years
Volatility	111%	93%
Weighted average fair value per warrant	\$0.05	\$0.07

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars - Unaudited)  
**March 31, 2023**

**NOTE 8 – RESEARCH AND DEVELOPMENT**

The Company’s research and development expenses are summarized below:

		<b>For the three months ended</b>	
	<b>Note</b>	<b>March 31,</b>	
		<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
Consulting fees		-	99,447
Legal and patent costs		16,075	80,544
Management fees and salaries	9	120,903	267,753
Other research and development		-	6,907
Product development		831,795	975,828
Share-based compensation	7,9	71,008	152,201
Subcontractors		74,232	192,971
		<b>1,114,013</b>	<b>1,775,651</b>

**NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES**

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 former Chief Executive Officer and a 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. On September 1, 2022, the Company amended the agreement to decrease the monthly fees to \$9,000.

In September 2018, the Company signed a management agreement with 9177 – 586 Quebec Inc., later assigned to 102388 P.E.I. Inc. (“PEI Inc.”), companies controlled by Denis Kay, the Chief Scientific Officer 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. On August 15, 2022, the Company amended the agreement to decrease the monthly fees to \$7,500.

In August 2020, the Company signed a management agreement with Seatrend Strategy Group, (“Seatrend”), a company controlled by Jeremy Wright, the Chief Financial Officer of the Company, which required 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 was a provision for a termination payment of six’s month’s fees. On April 12, 2022, Jeremy Wright resigned as the CFO of the Company and was paid a termination payment of \$90,000.

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

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**NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

In February 2021, the Company signed a consulting agreement with Michael McFadden, the CEO of the Company, requiring an annual base compensation of \$500,000. A new employment agreement was signed in March 2022 which included in the agreement is a provision for termination payment without just cause of:

- a) Severance payments for a period of twelve months with the following terms:
  - i) Months 1 through 6: 100% of annual base salary;
  - ii) Months 7 through 9: 50% of annual base salary; and
  - iii) Months 10 through 12: 25% of annual base salary.
- b) Bonus severance equal to the average of bonuses paid of the two most recent full fiscal years prior to termination plus the bonus that would have been paid in the fiscal year of termination.

Also included in the agreement is a provision for termination payment due to a change of control, the CEO will receive:

- a) a cash payment equal to the annual base salary;
- b) a full bonus payable in cash immediately, irrespective of whether targets have been met; and
- c) continuation of healthcare benefits for twelve months from date of change of control event.

In April 2022, Mr. McFadden was granted the ability to earn up to 8,195,740 bonus rights of which 1,639,148 bonus rights had been earned at March 31, 2023 (Note 6).

In May 2021, the Company hired Lauren D’Angelo, the Chief Commercial Officer (“CCO”) of the Company, requiring an annual base compensation of \$420,000. Included in the agreement is a provision for termination payment due to a change of control, the CCO will receive:

- a) a cash payment equal to the annual base salary;
- b) a full bonus payable in cash immediately, irrespective of whether targets have been met; and
- c) continuation of healthcare benefits for twelve months from date of change of control event.

In May 2022, Ms. D’Angelo was granted the ability to earn up to 1,065,446 bonus rights of which 737,616 bonus rights had been earned at March 31, 2023 (Note 6).

In November 2021, the Company signed an employment agreement with Cedric O’Gorman, the Chief Medical Officer (“CMO”) of the Company, requiring an annual base compensation of \$400,000. Included in the agreement is a provision for a termination payment without just cause of an amount equal to annual base compensation for a period of six months. If termination is due to a change of control, the CMO will receive:

- a) a cash payment equal to the annual base salary;
- b) a cash bonus equal to 50% of the annual base salary; and
- c) continuation of healthcare benefits for twelve months from date of change of control event.

On January 1, 2023, Cedric O’Gorman resigned as the Chief Medical Officer of the Company.

In April 2022, the Company signed an employment agreement with Donald Kalkofen, the Chief Financial Officer (“CFO”) of the Company, requiring an annual base compensation of \$420,000. Included in the agreement is a provision for termination payment due to a change of control, which if occurs, the CFO will receive:

- a) a cash payment equal to the annual base salary;
- b) a cash bonus equal to 50% of the annual base salary; and
- c) continuation of healthcare benefits for twelve months from date of change of control event.

As at March 31, 2023, \$371,858 (December 31, 2022 - \$619,361) is owing to directors and officers of the Company and has been included in accounts payable and accrued liabilities. These balances are in relation to fees and management compensation and are non-interest bearing, unsecured and due on demand.

As at March 31, 2023, the Company owed NLS \$1,211,463 for an outstanding promissory note (Note 5).

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

**NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Summary of key management personnel compensation:

	For the three months ended	
	2023	March 31, 2022
	\$	\$
Other general and administrative	-	3,587
Management fees and salaries	223,613	234,133
Research and development - management fees and salaries	93,276	234,266
Share-based compensation	235,760	444,820
	<b>552,649</b>	<b>916,806</b>

**NOTE 10 – COMMITMENTS**

**a) Alpha-1062 Technology**

In March 2015, the Company entered into the Memogain Technology License Agreement (“License Agreement”) with NLS for the exclusive right and license to further develop and exploit the Alpha 1062, formerly Memogain, Technology. The License Agreement set out the consideration as follows:

- The Company assumed all of NLS’s obligations under the Memogain Asset Purchase Agreement which consisted of cumulative total payments to Galantos Pharma 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;
- Upon completion of the Galantos Royalty Payments, a royalty payment to NLS of 1% of the revenue received from the Alpha-1062 Technology by the Company over \$100 million per annum and
- The issuance of a promissory note of \$1,400,000 to NLS (Note 5).

On January 1, 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 Alpha-1062 Technology;
- 2% of any sublicensing revenue; and
- 2% of an upfront payment or milestone payment paid by a sub-licensee to the Company.

On March 6, 2023, the Company and NLS agreed to amend the License Agreement to now incorporate both Alpha Cognition Inc. and Alpha Cognition Canada Inc. under the License Agreement and added clarity to certain terms and definitions in the License Agreement.

**b) Alpha-602 Technology**

In November 2020, the Company entered into a license agreement with NLS for the world-wide exclusive right to the Progranulin (“Alpha-602”) Technology. In accordance with the agreement, the Company will pay the following:

- \$50,000 to NLS before January 15, 2021 (paid);
- a royalty of 1.5% of the commercial sales, capped at \$2,000,000, to NLS;
- 10% of any Upfront Payments in excess of \$2,000,000.

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

#### **NOTE 11 – CAPITAL DISCLOSURE AND MANAGEMENT**

The Company defines its capital as all components of equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company is not subject to externally imposed capital requirements.

#### **NOTE 12 – 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, other current assets, accounts payable, bonus rights (presented in other long-term liabilities), derivative liability, and promissory note. The fair values of other current assets, accounts payable, and promissory note approximates their carrying values either due to their current nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Bonus rights and derivative liability are measured at fair value on a recurring basis using level 3 inputs. The continuity and valuation techniques that are used to determine the fair values of the bonus rights and derivative liability are described in Notes 6 and 7.

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 March 31, 2023, the Company had net monetary assets of approximately \$1,800,000 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 \$135,000. 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 tax recoverable is due from the Government of Canada; therefore, the credit risk exposure is low. The Company's maximum credit risk is equal to the carrying value of cash and other current assets at March 31, 2023 and December 31, 2022.

**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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 March 31, 2023, the promissory note bears interest of 5.5% 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 March 31, 2023, the Company had working capital of \$2,050,530 (see Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2023 are as follows:

	≤1 Year	>1-3 Years	Total
	\$	\$	\$
Accounts payable	1,980,354	-	1,980,354
Promissory note	-	1,211,463	1,211,463
	1,980,354	1,211,463	3,191,817

**NOTE 13 – SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	For the three months ended	
	March 31,	
	2023	2022
	\$	\$
Supplemental non-cash disclosures		
Forfeited share options	115,605	-
Forfeited warrants	949,972	-
Common shares issued for share issuance costs	618,004	-
Warrants issued for share issuance costs	73,018	-
Reallocation of fair value of share options upon exercise	-	206,382

**NOTE 14 – SEGMENTED INFORMATION**

The Company currently operates in a single reportable operating segment, being the researching and developing pharmaceutical treatments for neurological diseases. Geographic information is as follows:

	As at March 31, 2023		
	Canada	United States of America	Total
	\$	\$	\$
Non-current assets other than financial instruments	594,302	2,788	597,090



**ALPHA COGNITION INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars - Unaudited)**  
**March 31, 2023**

**NOTE 14 – SEGMENTED INFORMATION (continued)**

	<b>As at December 31, 2022</b>		
	<b>Canada</b>	<b>United States of America</b>	<b>Total</b>
	\$	\$	\$
Non-current assets other than financial instruments	614,977	3,233	618,210

**NOTE 15 – SUBSEQUENT EVENTS**

- a) Subsequent to the March 31, 2023, the Company issued 1,050,000 Common shares in relation to the exercise of 1,050,000 ACI Canada legacy performance options with an exercise price of \$0.01 for total proceeds of \$10,500.
- b) On May 30 2023, the Company announced a best efforts private placement offering of up to US\$6,500,000 of units at a price of US\$0.22 per unit (the “Offering”). Each unit consists of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase an additional common share of the Company at a price of US\$0.31 per share for a period of three years from the closing date. The aggregate proceeds may be increased by 30% upon mutual agreement of the Company and Spartan to accommodate any over-allotment.

The Company expects to use the net proceeds from the Offering for research and development, general and administrative matters, and working capital.

The Company also announced that it entered into an Investment Banking Agreement (“IBA”) with Spartan Capital Securities, LLC (“Spartan”), pursuant to which Spartan will act as agent on a best efforts basis in connection with the Offering, as described above. Pursuant to the IBA the Company has agreed to pay Spartan cash commissions of 10% of the gross proceeds of the Offering, and compensation warrants equal to 10% of the number of the warrants issued to investors, in each case excluding investors on the Company’s president’s list. Spartan is also entitled to a non-accountable expense fee equal to 5% of the gross proceeds of the Offering excluding the president’s list.

Spartan has also agreed to provide ongoing consulting services for a three year term. The services will include advising and assisting on potential business development transactions, strategic introductions, assisting management with enhancing corporate and shareholder value, and capital raising advice. The Company will pay Spartan a consulting fee in the aggregate amount of US\$480,000, payable in three equal installments with each installment being subject to the Company achieving certain business development and capital raising objectives. Spartan will also be entitled to earn and receive additional common shares of the Company such that Spartan will hold 10.6% of the outstanding common shares of the Company determined as at the closing of the offering, inclusive of the 2,129,566 common shares currently held by Spartan. The additional common shares will be issued to Spartan on a rolling basis upon completion of predetermined business development objectives including the closing of certain offering amounts and the completion of material business transactions.