



ALPHA COGNITION INC.

Condensed Interim Consolidated Financial Statements

(Expressed in United States Dollars - Unaudited)

For the Three Months Ended March 31, 2022 and 2021

ALPHA COGNITION INC.
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(Expressed in United States Dollars - Unaudited)

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

	Note	(Unaudited) March 31, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash		9,082,964	11,301,793
Prepaid expenses and other current assets		914,084	868,832
		9,997,048	12,170,625
Equipment		11,264	13,001
Intangible asset	4	676,168	696,762
		10,684,480	12,880,388
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	781,627	726,850
Promissory note	7	1,107,524	1,075,820
		1,889,151	1,802,670
Derivative liability	8	1,942,762	2,048,127
		3,831,913	3,850,797
SHAREHOLDERS' EQUITY			
Share capital	8	40,258,943	40,011,776
Reserves	8	7,442,308	7,153,252
Accumulated other comprehensive loss		98,543	(101,534)
Accumulated deficit		(40,947,227)	(38,033,903)
		6,852,567	9,029,591
		10,684,480	12,880,388

Note 1 – Nature of operations and going concern

Note 11 – Commitments

Note 17 – Subsequent events

Approved on behalf of the Board on May 30, 2022

/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	
	Note	2022	March 31, 2021
		\$	\$
Operating expenses			
Accretion expenses	6,7	31,704	404,194
Amortization expense	4	20,594	20,594
Consulting fees		31,787	-
Depreciation		1,737	331
Interest	6,7	7,339	12,002
Investor relations		89,026	-
Management fees and salaries	10	250,203	108,801
Marketing		8,454	-
Other general and administrative	10	99,382	52,859
Professional fees	10	154,126	81,625
Registrar and filing fees		19,684	8,034
Research and development	9,10	1,775,651	1,622,178
Share-based compensation	8	343,237	145,447
Subcontractors		94,600	-
Travel and related		14,798	-
		2,942,322	2,456,065
Loss before other items		(2,942,322)	(2,456,065)
Other items			
Foreign exchange gain (loss)		(57,788)	18,149
Interest income		115	1,319
Business investigation costs	3	-	(37,504)
Listing expense	3	-	(1,404,200)
Gain (loss) on revaluation of derivative liability	6,8	86,671	(8,346,647)
		28,998	(9,768,883)
Net loss for the period		(2,913,324)	(12,224,948)
Other comprehensive loss that may be reclassified to net loss:			
Currency translation adjustment		200,077	-
Comprehensive loss for the period		(2,713,247)	(12,224,948)
Basic and diluted net loss per share		(0.04)	(0.28)
Basic and diluted weighted average number of shares outstanding		67,658,379	44,372,787

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
(Expressed in United States Dollars - Unaudited)

	Class A								Reserves	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Common shares		Restricted shares		Preferred shares		Total share capital					
	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
		\$		\$		\$		\$	\$	\$	\$	
Balance, December 31, 2020	42,996,524	14,568,250	-	-	7,916,380	62	50,912,904	14,568,312	3,936,583	-	(18,488,887)	16,008
Units issued for cash prior to RTO for ACI Canada	2,771,749	2,690,170	-	-	-	-	2,771,749	2,690,170	720,807	-	-	3,410,977
Shares issued for conversion of convertible promissory notes and interest	2,234,036	2,053,711	-	-	-	-	2,234,036	2,053,711	-	-	-	2,053,711
Units issued for conversion of convertible promissory notes and interest	1,613,186	2,686,104	-	-	-	-	1,613,186	2,686,104	-	-	-	2,686,104
Eliminate capital stock of Alpha Cognition Canada Inc.	(49,615,495)	-	-	-	(7,916,380)	-	(57,531,875)	-	-	-	-	-
Opening balance of Alpha Cognition Inc.	1,640,057	1,685,085	-	-	-	-	1,640,057	1,685,085	62,749	-	-	1,747,834
Issuance of shares to former shareholders of ACI Canada	42,615,495	(3,103,620)	7,000,000	3,103,620	7,916,380	-	57,531,875	-	-	-	-	-
Units issued for cash prior to RTO for ACI	588,375	602,653	-	-	-	-	588,375	602,653	153,009	-	-	755,662
Share issuance costs	-	(427,940)	-	-	-	-	-	(427,940)	-	-	-	(427,940)
Share-based compensation	-	-	-	-	-	-	-	-	643,798	-	-	643,798
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(10,347)	-	(10,347)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(12,224,948)	(12,224,948)
Balance, March 31, 2021	44,843,927	20,754,413	7,000,000	3,103,620	7,916,380	62	59,760,307	23,858,095	5,516,946	(10,347)	(30,713,835)	(1,349,141)
Units issued for cash after RTO	9,602,500	11,383,284	-	-	-	-	9,602,500	11,383,284	-	-	-	11,383,284
Share issuance costs	-	(1,288,565)	-	-	-	-	-	(1,288,565)	521,042	-	-	(767,523)
Options exercised	60,504	40,395	-	-	-	-	60,504	40,395	(33,870)	-	-	6,525
Warrants exercised	6,100,000	6,018,567	-	-	-	-	6,100,000	6,018,567	-	-	-	6,018,567
Share-based compensation	-	-	-	-	-	-	-	-	1,149,134	-	-	1,149,134
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(91,187)	-	(91,187)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(7,320,068)	(7,260,453)
Balance, December 31, 2021	60,606,931	36,908,094	7,000,000	3,103,620	7,916,380	62	75,523,311	40,011,776	7,153,252	(101,534)	(38,033,903)	9,029,591
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)
Balance, March 31, 2022	61,023,450	37,155,261	7,000,000	3,103,620	7,916,380	62	75,939,830	40,258,943	7,442,308	98,543	(40,947,227)	6,852,567

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)

		For the three months ended	
	Note	2022	March 31, 2021
		\$	\$
Cash flows used in operating activities			
Loss for the period		(2,913,324)	(12,274,216)
Adjustments for non-cash items			
Amortization of intangible assets		20,594	20,594
Accretion of discount on convertible promissory notes		-	376,633
Accretion of discount on promissory note		31,704	27,561
Accrued interest		5,974	11,503
Depreciation of equipment		1,737	331
Listing expense	3	-	1,404,200
Loss (gain) on revaluation of derivative liability		(86,671)	8,346,647
Share-based compensation		495,438	643,798
		(2,444,548)	(1,393,681)
Changes in non-cash operating working capital items:			
Other receivables		-	(2,438)
Tax recoverable		-	212
Prepaid expenses and other current assets		(45,252)	116,778
Accounts payable and accrued liabilities		60,777	222,547
Related parties payable		-	(4,060)
		(2,434,997)	(1,060,642)
Cash flows provided by investing activities			
Cash acquired in RTO	3	-	523,041
Acquisition of intangible assets		-	(50,000)
Acquisition of equipment		-	(479)
		-	472,562
Cash flows provided by financing activities			
Units issued for cash		-	2,267,899
Exercise of options		40,785	-
Interest paid on promissory notes		(6,000)	(6,000)
Share issuance costs		-	(351,784)
		34,785	1,910,115
Effect of foreign exchange on cash		181,383	(10,347)
Change in cash during the period		(2,218,829)	1,311,688
Cash, beginning of period		11,301,793	5,926,350
Cash, end of period		9,082,964	7,238,038

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, 2022

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 four offices located in Charlottetown, Prince Edward Island; Vancouver, British Columbia; West Palm Beach, Florida; and Frisco, Texas. The head office and registered and records office of the Company is 301 – 1228 Hamilton Street, Vancouver, BC, V6B 6L2. The Company’s common shares trade on the TSX Venture Exchange (“TSX-V”) under the trading symbol “ACOG” and on the Over-The-Counter (“OTC”) under the trading symbol “ACOGF”.

On March 18, 2021, the Company announced the successful closing of its Qualifying Transaction with Alpha Cognition Canada Inc. (“ACI Canada”) (the “Transaction” as defined in Note 3). Pursuant to the Transaction, ACI Canada was acquired by and became a wholly-owned subsidiary of ACI. As part of the Transaction, on March 18, 2021, ACI changed its name to Alpha Cognition Inc. and ACI Canada changed its name to Alpha Cognition Canada Inc. At the time of completion of the Transaction, ACI had 59,171,932 shares issued and outstanding which included 57,531,875 common shares issued to former ACI Canada shareholders, representing 97.23% of the Company’s issued and outstanding shares. Initially, the common shares of the Company issued in connection with the Transaction were listed on TSX-V under the ticker symbol “CRYS”. Effective March 30, 2021, the trading symbol of ACI was changed to “ACOG”.

Upon closing of the Transaction, the shareholders of ACI Canada owned 97.23% of the shares of the Company, and as a result, the transaction is considered a reverse acquisition of the Company by ACI Canada. All previous common shares, share options, and warrants were exchanged at a ratio of one share of ACI Canada for one of ACI. For accounting purposes, ACI Canada is considered the acquirer and the Company, the acquiree. Accordingly, the consolidated financial statements are in the name of Alpha Cognition Inc.; however, they are a continuation of the financial statements of ACI Canada (Note 3).

On March 18, 2021, immediately before the Transaction, the Company completed a share consolidation on the basis of one new post-consolidation common share for every 7.14 pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

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 as at March 31, 2022, had a deficit of \$40,947,227 (December 31, 2021 - \$38,033,903) 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. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. 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.

ALPHA COGNITION INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars - Unaudited)
March 31, 2022

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 financial statements of Alpha Cognition Inc. for the year ended December 31, 2021.

These financial statements of the Company were approved and authorized for use by the Board of Directors on May 30, 2022.

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	
		2022	2021
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 its subsidiaries are 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency (continued)

For the purposes of presenting 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 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 consolidated financial statements are outlined below.

Uncertainty of COVID-19 Global Pandemics

The Company is subject to risks and uncertainties as a result of the ongoing COVID-19 pandemic. The Company is continuing to closely monitor the impact of the COVID-19 pandemic on its business and has taken and continues to take proactive efforts to protect the health and safety of its patients, clinical research staff and employees, and to maintain business continuity. The extent of the impact of the COVID-19 pandemic on the Company's activities remains uncertain and difficult to predict, as the response to the pandemic is ongoing and information continues to evolve. Capital markets and economies worldwide have been negatively impacted by the COVID-19 pandemic and may be further impacted in the future. Such economic disruption could have a material adverse effect on the Company's business. Policymakers around the globe have responded with fiscal policy actions to support the healthcare industry and economy as a whole. The magnitude and overall effectiveness of these actions remains uncertain.

The severity of the impact of the COVID-19 pandemic on the Company's activities will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, including the severity of any additional periods of increases or spikes in the number of cases in the areas the Company its suppliers and its manufacturers operate and areas where the Company's clinical trial sites are located; the development and spread of COVID-19 variants, the timing, extent, effectiveness and durability of COVID-19 vaccine programs or other treatments; and new or continuing travel and other restrictions and public health measures, such as social distancing, business closures or disruptions. Accordingly, the extent and severity of the impact on the Company's existing and planned clinical trials, manufacturing, collaboration activities and operations is uncertain and cannot be fully predicted. The Company may experience delays in its existing and planned clinical trials due to the worldwide impacts of the pandemic. The Company's future results of operations and liquidity could be adversely impacted by delays in existing and planned clinical trials, continued difficulty in recruiting patients for these clinical trials, delays in manufacturing and collaboration activities, supply chain disruptions, the ongoing impact on its operating activities and employees, and the ongoing impact of any initiatives or programs that the Company may undertake to address financial and operational challenges. As of the date of issuance of these condensed interim consolidated financial statements, the extent to which the COVID-19 pandemic may materially impact the Company's future financial condition, liquidity or results of operations remains uncertain

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Going concern

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

Impairment of intangible assets

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

Useful lives of intangible assets

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

Share-based payment transactions and valuation of derivative liability

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options, standalone share purchase warrants issued and derivative liability. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

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%

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

The Company has intangible assets as outlined below. 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.

NOTE 3 – REVERSE ACQUISITION

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

On March 18, 2021, the Transaction completed resulting in ACI acquiring 100% of the shares of ACI Canada and ACI Canada's shareholders receiving 42,615,495 post-consolidated common shares, 7,000,000 restricted voting shares, 7,916,380 preferred shares, 11,819,169 warrants, and 10,069,365 share options of ACI. The ACI shareholders retained 1,640,507 common shares on completion of the transaction and the former ACI share option holders were deemed granted 108,543 share options.

The transaction constituted a reverse acquisition of ACI and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As ACI did not qualify as a business according to the definition in IFRS 3, *Business Combination*, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an asset acquisition by the issuance of shares of the Company, for the net assets of ACI and its public listing. Accordingly, the transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of ACI Canada to the shareholders and option holders of ACI. The sum of the fair value of the consideration paid (based on the fair value of the ACI shares just prior to the reverse acquisition) less the ACI net assets acquired, has been recognized as a listing expense in the net loss for the year ended December 31, 2021.

For accounting purposes, ACI Canada was treated as the accounting parent company (legal subsidiary) and ACI has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As ACI Canada was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The results of operations of ACI are included in these consolidated financial statements from the date of the reverse acquisition of March 18, 2021.

ALPHA COGNITION INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars - Unaudited)
March 31, 2022

NOTE 3 – REVERSE ACQUISITION (continued)

The following represents management's estimate of the fair value of the ACI net assets acquired as at March 18, 2021 as a result of the reverse acquisition.

	Total
	\$
Cost of acquisition:	
Shares retained by public company shareholders - 1,640,057 shares at CAD \$1.28 x 0.8027	1,685,085
Fair value of stock options	62,749
	1,747,834
Allocated as follows:	
Cash	523,041
Prepaid expenses	5,706
Liabilities	(185,113)
	343,634
Allocated to listing expense	1,404,200
	1,747,834

Share options deemed granted were valued using the Black Scholes model using the following weighted average assumptions: risk free rate of 0.23%, volatility of 123%, dividend yield of \$nil, and expected lives of 1.85 years.

During the three months ended March 31, 2022, the Company incurred costs of \$nil (March 31, 2021 - \$37,504) related to the reverse acquisition that were recorded as business investigation costs.

NOTE 4 – INTANGIBLE ASSET

	Licenses
	\$
Cost:	
At December 31, 2020	1,185,633
Additions	50,000
At December 31, 2021 and March 31, 2022	1,235,633
Amortization:	
At December 31, 2020	456,496
Additions	82,375
At December 31, 2021	538,871
Additions	20,594
At March 31, 2022	559,465
Net book value:	
At December 31, 2021	696,762
At March 31, 2022	676,168

ALPHA COGNITION INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars - Unaudited)
March 31, 2022

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
	\$	\$
Accounts payable	681,935	454,992
Accrued liabilities	99,692	271,858
	781,627	726,850

NOTE 6 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

	Convertible Debentures	Derivative liability	Total
	\$	\$	\$
Balance, December 31, 2020	2,257,109	1,651,831	3,908,940
Accretion	376,633	-	376,633
Accrued interest	5,529	-	5,529
Revaluation of derivative liability	-	448,713	448,713
Conversion	(2,639,271)	(2,100,544)	(4,739,815)
Balance, December 31, 2021 and March 31, 2022	-	-	-

On April 27, 2020, the Company received \$212,299 from various third party lenders and \$1,787,701 from various directors and officers of the Company for the issuance of convertible debentures (“First Note”) bearing interest at 5% per annum, minimum six months interest guaranteed, and expiring on October 27, 2021, and one warrant (“First Note Warrant”) giving the lender the right to purchase a second convertible promissory note (“Second Note”) having the same terms as the First Note, upon payment equal to the principal amount of the First Note and expiring October 30, 2020. At the option of the lender, the lender could convert their promissory note and any accrued interest into Common shares of the Company, for a price equal to the lower of 20% discount to the per share price of a Value Transaction, being any transaction which had the effect directly or indirectly of valuing the Company, its assets or undertaking including but not limited to a merger or acquisition, a private placement of the Company, issuance of convertible debentures, an initial public offering (“IPO”), a reverse take-over or merger (“RTO”), or a valuation report completed by an independent banker or certified business valuator, or \$1.60. In the event the convertible promissory notes remained outstanding at October 27, 2021, the promissory notes would automatically convert into Common shares of the Company at \$1.28 per Common share.

As the conversion price of the promissory notes varied depending on certain factors, the Company recorded an embedded derivative liability on its consolidated statements of financial position with a corresponding debt discount which is netted against the principal amount of the convertible debentures. The Company accreted the debt discount associated with the embedded derivative liability to accretion expense over the term of the convertible debentures using the effective interest rate method. The embedded derivative liability was initially measured at fair value and re-measured at the end of each reporting period with any changes in fair value reported in profit and loss.

In October 2020, the Company offered the holders of the First Note Warrants the option to purchase Subscription Receipts (defined in Note 8) at a 20% discount through the exercising of their warrants, conditional on the closing of the Transaction. If the Transaction terminated or did not complete by December 31, 2020, or such later date as agreed to by ACI Canada and ACI, the holders would receive the Second Note. The Company received \$2,000,000 for the exercise of the First Note Warrants of which \$59,319 was received for a Second Note and \$1,940,681 was received for the elected Subscription Receipts. In March 2021, the Transaction closed and all First Note Warrant holders were issued Subscription Receipts.

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NOTE 6 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)

The initial fair value of the embedded derivative for the First Note and warrant was determined to be \$1,253,963 while the initial fair value of the embedded derivative for the Second Note was determined to be \$1,132,212.

Prior to the conversion into units on March 18, 2021, the fair value of the embedded derivative for the First and Second Note was determined to be \$2,100,544 using the Black-Scholes Option Pricing model with the following assumptions:

Risk-free interest rate	0.03% - 0.23%
Dividend yield	-
Expected life	0.61-2.00 years
Volatility	121% - 141%
Probability of automatic conversion	-%
Probability of conversion at \$1.60 per share	-%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	100%

During the three months ended March 31, 2022, the Company recognized interest expense of \$nil (March 31, 2021 – \$1,733) to third party lenders and \$nil (March 31, 2021 – \$3,796) to various directors and officers of the Company.

During the three months ended March 31, 2022, the Company recognized accretion of the debt discount of \$nil (March 31, 2021 - \$376,633) and loss on revaluation of derivative liability of \$nil (March 31, 2021 – \$423,044).

NOTE 7 – 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, 2020	957,899	2,542
Interest payments	-	(24,000)
Accretion	117,921	-
Accrued interest	-	24,229
Balance, December 31, 2021	1,075,820	2,771
Interest payments	-	(6,000)
Accretion	31,704	-
Accrued interest	-	5,974
Balance, March 31, 2022	1,107,524	2,745

In March 2015, the Company issued a promissory note of \$1,400,000 to Neurodyn Life Sciences Inc (“NLS”), a former related party through common shareholders, for the acquisition of the Alpha-1062 Technology (“NLS Promissory Note”) (Note 11). The NLS Promissory Note bore an interest rate of 6% and had a term of 2 years with no fixed repayment schedule. The Company may pay all or any portion of the note and accrued interest prior to the maturity date. The NLS Promissory Note was issued as a discount of \$214,367, which will be amortized over the term of the note at an effective interest rate of 15%.

In April 2015, the Company and NLS entered into an amendment to the License Agreement (defined in Note 11) 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. The Company may pay all or any portion of the note and accrued interest prior to the maturity date.

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NOTE 7 – PROMISSORY NOTE (continued)

In March 2019, the Company issued 600,000 Common Shares at a price of \$0.50 per share for a total value of \$300,000 as prepayment on the NLS Promissory Note for all interest outstanding and a portion of the principal amount. The prepayment was determined to be an extinguishment transaction with a related party which was in essence a capital transaction. As a result, the resulting difference of \$116,161 in net present value of the cash flows was recognized in the consolidated statement of changes in equity (deficiency) during the year ended December 31, 2019.

During the three months ended March 31, 2022, the Company recorded interest expense of \$5,974 (March 31, 2021 - \$5,974) and amortization of the discount, included in accretion expense, of \$31,704 (March 31, 2021 - \$27,561).

As at March 31, 2022, the principal balance owing on the promissory note was \$1,211,463 (December 31, 2021 - \$1,211,463) and the remaining debt discount was \$103,939 (December 31, 2021 - \$135,643).

NOTE 8 – 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”)

During the year ended December 31, 2021, the Company completed a share consolidation on the basis of one new post-consolidation common share for every seven and fourteenths pre-consolidation common shares. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation.

Issued share capital

During the three months ended March 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.

During the year ended December 31, 2021, the Company issued the following shares:

- Concurrent to the Transaction, ACI Canada and ACI completed a brokered private placement by raising \$4,166,639 by way of the sale of 3,360,124 subscription receipts at a price of CAD\$1.60 per subscription receipt (“Subscription Receipt”) with each Subscription Receipt consisting of one common share and one-half warrant (“Private Placement”). Each whole warrant is exercisable at a price of CAD\$2.10 per warrant for a term of 24 months from the closing date. The Company allocated \$873,816 to reserves representing the value of the warrants issued. Of the funds raised, \$3,410,977 was raised by ACI Canada for 2,771,749 Subscription Receipts and \$755,662 was raised by ACI for 588,375 Subscription Receipts. In connection with the Private Placement, ACI Canada agreed to pay a cash commission of \$209,174 and issue 130,733 warrants with an estimated fair value of \$76,156 under the Private Placement to the agents. Each agent warrant is exercisable into common shares of ACI at an exercise price of CAD\$1.60 for a term of 2 years.
- Concurrent to the Transaction, ACI Canada issued 1,613,186 Subscription Receipts on the conversion of \$2,698,028 worth of net convertible debentures (Note 6).

NOTE 8 – SHARE CAPITAL (continued)

Issued share capital (continued)

- Concurrent to the Transaction, ACI Canada issued 2,139,763 Common shares on the conversion of \$1,962,976 worth of net convertible debentures and 94,273 Common shares on the conversion of \$90,735 worth of interest on the convertible debentures (Note 6).
- 50,000 common shares at a price of \$0.01 per share for total proceeds of \$500 for the exercise of Common share options. As a result, the Company transferred \$24,898 from reserves to share capital.
- Completed a public offering by raising funds of \$11,383,284 (CAD\$14,403,750) for 9,602,500 subscription receipts at a price of CAD\$1.50 per subscription receipt with each subscription receipt consisting of one Common share and one warrant exercisable at a price of CAD\$1.75 per warrant for a term of 24 months from the closing date. In connection with the public offering, the Company agreed to pay cash commissions of \$852,094 and issue 659,627 warrants with an estimated fair value of \$444,886 to the agents. Each agent warrant is exercisable into Common shares of the Company at an exercise price of CAD\$1.50 for a term of 2 years.
- 6,100,000 Common shares for the exercise of 6,100,000 warrants at a price of \$0.40 per share for total proceeds of \$2,440,000. As a result, the Company transferred \$3,813,754 from the derivative liability to share capital.
- 10,504 Common shares for the exercise of 10,504 Common share options at a price of CAD\$0.714 per share for total proceeds of \$6,025 (CAD\$7,500). As a result, the Company transferred \$8,972 from reserves to share capital.

Escrow shares

As at March 31, 2022, the Company had 23,987,377 (December 31, 2021 – 28,524,110) Common shares, 3,561,733 (December 31, 2021 – 4,006,846) Restricted Shares, and 5,979,824 (December 31, 2021 – 6,859,782) Class B preferred shares held in escrow.

Warrants

During the year ended December 31, 2021, ACI Canada issued the following warrants:

- 1,385,866 warrants with an exercise price of CAD\$2.10 and an expiry of March 18, 2023, in connection with the Company's private placement.
- 130,733 warrants with an exercise price of CAD\$1.60 and an expiry of March 18, 2023, to the agents of the Company's Private Placement.
- 806,591 warrants with an exercise price of CAD\$2.10 and an expiry of March 18, 2023, in connection with the conversion of the convertible debentures into Subscription Receipts.

All warrants outstanding in ACI Canada were transferred and assigned to ACI upon completion of the Transaction.

During the year ended December 31, 2021, the Company:

- Issued 294,190 warrants with an exercise price of CAD\$2.10 and an expiry of March 18, 2023, in connection with the conversion of the convertible debentures into Subscription Receipts.
- Issued 9,602,500 warrants with an exercise price of CAD\$1.75 and expiry of October 1, 2023, in connection with the public offering.
- Issued 659,627 warrants with an exercise price of CAD\$1.50 and an expiry of October 1, 2023, to the agents of the Company's public offering.

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NOTE 8 – SHARE CAPITAL (continued)

Warrants (continued)

A continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	9,201,783	\$ 0.40
Issued	12,879,507	1.42 (CAD\$1.80)
Exercised	(6,100,000)	0.40
Balance, December 31, 2021 and March 31, 2022	15,981,290	1.22

A summary of the warrants outstanding and exercisable March 31, 2022, is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	\$	
40,000	0.40	July 5, 2023
3,061,783	0.40	August 30, 2024
2,486,647	1.66 (CAD\$2.10)	March 18, 2023
130,733	1.26 (CAD\$1.60)	March 18, 2023
9,602,500	1.38 (CAD\$1.75)	October 1, 2023
659,627	1.18 (CAD\$1.50)	October 1, 2023
15,981,290		

The weighted average life of warrants outstanding at March 31, 2022 was 1.59 years.

Share Options

Common share options

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.

All stock options outstanding in ACI Canada were transferred and assigned to ACI upon completion of the Transaction.

During the three months ended March 31, 2022, the Company had the following share option transactions:

- The Company granted 230,000 share options with an exercise price of CAD\$1.05 per share to certain employees of ACI USA and 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.

NOTE 8 – SHARE CAPITAL (continued)

Share options (continued)

Common share options (continued)

During the year ended December 31, 2021, the Company had the following share option transactions:

- In connection with the Transaction, the Company had deemed granted 108,543 share options, with an estimated fair value of \$62,749, to former option holders of ACI of which all have been vested. The total fair value granted was considered to be part of the cost of acquisition of ACI. Of these share options 31,513 are exercisable up to September 21, 2023, and 77,030 were exercisable up to June 16, 2021. In April 2021, the Company extended the life of the 77,030 share options to March 18, 2022.
- The Company granted 200,000 common share options to a consultant of the Company with an estimated fair value of \$113,507 which vest quarterly over four tranches of 50,000 commencing June 18, 2021.
- In April 2021, the Company repriced 77,030 share options with an exercise price of CAD\$0.714 for the extension of the expiry date to March 18, 2022 from June 16, 2021. All other terms remained unchanged. The Company recorded share-based compensation of \$9,272.
- In August 2021, the Company granted 3,150,000 share options to certain officers of the Company and employees of ACI USA with an exercise price of CAD\$0.90 per share. The options will be subject to the following vesting terms: 25% will vest on the first anniversary of the date of grant and the remaining 75% will vest in equal monthly instalments until the third anniversary of the date of grant. In October 2021, 450,000 of these share options were cancelled.
- In August 2021, the Company granted 400,000 share options with an exercise price of \$1.22 per share to an employee of ACI USA. The options will be subject to the following vesting terms: 25,000 options vest on date of grant, 175,000 options will vest quarterly over a 24 month period, and 200,000 options vest upon the completion of certain performance criteria. In December 2021, the vesting terms were revised to: 100,000 options vest on date of grant, 100,000 options will vest quarterly over a 12 month period, and 200,000 options vest upon completion of certain performance criteria.
- In August 2021, the Company granted 300,000 share options with an exercise price of \$0.80 per share to an employee of the Company. The options will be subject to the following vesting terms: 37,500 options vest on date of grant, 112,500 options will vest quarterly over a 24 month period, and 150,000 options vest upon the completion of certain performance criteria. In December 2021, the Company amended the number of options granted to 131,250 options which will vest immediately.
- In December 2021, the Company granted 300,000 share options to a certain officer of the Company with an exercise price of CAD\$1.12 per share. The options will be subject to the following to the following vesting terms: 100,000 options vest on date of grant and 200,000 options vest upon the completion of certain performance criteria.
- In December 2021, the Company granted 450,000 share options to employees of ACI USA with an exercise price of CAD\$1.12 per share. The options will be subject to the following vesting terms: 25% will vest on the first anniversary of the date of grant and remaining 75% will vest in equal monthly instalments until the third anniversary of the date of grant.
- In December 2021, the Company granted 940,000 share options to certain directors of the Company with an exercise price of CAD\$1.12 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.

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NOTE 8 – SHARE CAPITAL (continued)

Share options (continued)

Common share options (continued)

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

	March 31, 2022	December 31, 2021
Risk-free interest rate	1.97%	1.26%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	10 years	9.61 years
Volatility	84%	87%
Weighted average fair value per option	\$0.84	\$0.58

For the three months ended March 31, 2022, share-based compensation expense relating to service condition awards amounted to \$495,438 (March 31, 2021 - \$49,595) of which \$152,201 (March 31, 2021 - \$nil) was allocated to research and development and \$343,237 (March 31, 2021 - \$45,595) to general and administrative.

Common share option continuity is as follows:

	Three months ended March 31, 2022			Year ended December 31, 2021		
	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	5,297,597	0.81	-	78,308	0.40	-
Granted	230,000	0.81	-	5,848,543	0.81	-
Cancelled	-	-	-	(618,750)	0.73	-
Expired	(7)	0.57	-	-	-	-
Exercised	(66,519)	0.57	0.81	(10,504)	0.56	0.95
Balance, end of period	5,461,071	0.85	-	5,297,597	0.81	-
Options exercisable, end of period	1,194,821			1,127,597		

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NOTE 8 – SHARE CAPITAL (continued)

Share options (continued)

Common share options (continued)

A summary of the common share options outstanding at March 31, 2022, is as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		\$	
200,000	200,000	1.68 (CAD\$2.10)	March 29, 2023
31,513	31,513	0.57 (CAD\$0.714)	September 21, 2023
39,154	39,154	0.40	June 1, 2029
39,154	39,154	0.40	July 22, 2030
2,700,000	-	0.72 (CAD\$0.90)	August 3, 2031
400,000	125,000	1.22	August 16, 2031
131,250	131,250	0.80	August 16, 2031
1,690,000	628,750	0.90 (CAD\$1.12)	December 20, 2031
230,000	-	0.84 (CAD\$1.05)	February 14, 2032
5,461,071	1,194,821		

The weighted average life of common share options outstanding at March 31, 2022, was 9.12 years.

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.

For the three months ended March 31, 2022, share-based compensation expense relating to service condition awards for the ACI Canada legacy performance options amounted to \$nil (March 31, 2021 - \$31,812, of which \$22,339 was allocated to research and development and \$9,473 to general and administrative).

For the three months ended March 31, 2022, share-based compensation expense relating to performance condition options for the ACI Canada legacy performance options amounted to \$nil (March 31, 2021 – \$562,391, of which \$476,011 was allocated to research and development and \$86,380 to general and administrative).

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NOTE 8 – SHARE CAPITAL (continued)

Share options (continued)

ACI Canada legacy performance options (continued)

ACI Canada legacy performance option continuity is as follows:

	Three months ended March 31, 2022			Year ended December 31, 2021		
	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	9,991,057	\$ 0.01	\$	9,991,057	\$ 0.01	\$
Exercised	(350,000)	0.01	0.83	(50,000)	0.01	0.68
Balance, end of period	9,591,057	0.01		9,941,057	0.01	
Options exercisable, end of period	8,511,057			8,861,057		

A summary of the Common share options outstanding at March 31, 2022, 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
4,250,000	3,590,000	0.01	September 1, 2028
3,750,000	3,330,000	0.01	June 1, 2029
9,591,057	8,511,057		

The weighted average life of ACI Canada legacy performance options outstanding at March 31, 2022 was 6.43 years.

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 \$8,215,823 to recognize the derivative liability. As at March 31, 2022, the Company revalued the derivative liability to \$1,942,761 (December 31, 2021 - \$2,048,127) and recorded a gain on revaluation of \$86,671 (March 31, 2021 - \$292,220). During the year ended December 31, 2021, 6,100,000 warrants with an exercise price of \$0.40 per warrant were exercised, which resulted in \$3,578,567 of the derivative liability being reallocated to share capital.

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NOTE 8 – SHARE CAPITAL (continued)

Derivative liability (continued)

	March 31, 2022	December 31, 2021
	\$	\$
Balance, beginning of period	2,048,127	-
Initial recognition of derivative liability	-	7,810,547
Conversion	-	(3,578,567)
Revaluation of derivative liability	(105,365)	(2,183,853)
Balance, end of period	1,942,762	2,048,127

A summary of the warrants with USD exercise prices outstanding and exercisable at March 31, 2022, is as follows:

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

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the initial valuation, and the re-valuations as at December 31, 2021 and as at March 31, 2022:

	March 31, 2022	December 31, 2021	March 18, 2021
Risk-free interest rate	2.21%	0.62%	0.48%
Dividend yield	-	-	-
Forfeiture rate	-	-	-
Expected life	2.40 years	3.21 years	3.40 years
Volatility	115%	114%	113%
Weighted average fair value per warrant	\$0.63	\$0.80	\$1.07

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NOTE 9 – RESEARCH AND DEVELOPMENT

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

		For the three months ended	
	Note	March 31,	
		2022	2021
		\$	\$
Consulting fees		99,447	209,031
Legal and patent costs		80,544	60,648
Management fees and salaries	10	267,753	203,102
Other research and development		6,907	9,466
Product development		975,828	489,150
Share-based compensation	8,10	152,201	498,351
Salaries and benefits		-	152,430
Subcontractors		192,971	-
		1,775,651	1,622,178

NOTE 10 – 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.

In September 2018, the Company signed a management agreement with 9177 – 586 Quebec Inc. (“9177 Quebec”), a company 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.

In September 2018, the Company signed a management agreement with Clearway Global, LLC (“Clearway Global”), a company controlled by Fred Sancilio, the former President and a director of the Company, which requires monthly payments of \$10,000 per month for an effective term of two years. In June 2019, the Company amended the agreement to increase the monthly fees to \$20,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) \$480,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) \$60,000. In February 2021, the Company amended the agreement to increase the monthly fees to \$24,166. On December 22, 2021, Fred Sancilio resigned as the President and director of the Company. The management agreement was replaced with a consulting agreement with no longer a provision for a termination payment.

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 requires monthly payments of \$6,000. In October 2020, the Company amended the agreement to increase the monthly fees to \$15,000. Included in the agreement is a provision for a termination payment of six’s month’s fees. On April 12, 2022, Jeremy Wright resigned as the CFO of the Company and was paid a termination payment of \$90,000.

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NOTE 10 – 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. Included in the agreement is a provision for a termination payment upon termination without just cause and an equity provision upon the sale or merger of the Company. The termination payment is to be paid semi-monthly over a one year period, as follows: the first six months at the current base compensation, followed by three months at ½ of the current base compensation, followed by three months at ¼ of the current base compensation, and the average of actual performance bonuses paid average over the last two years. The equity provision provides for the following:

- i) in the event the Company is sold or merged at a value between \$200 million and \$500 million, equity with a value of 2% of the difference between the transaction price and \$200,000,000;
- ii) in the event the Company is sold or merged at a value between \$500 million and \$1 billion, equity with a value of 2.5% of the difference between the transaction price and \$200,000,000;
- iii) in the event the Company is sold or merged at a value above \$1 billion, equity with a value of 3% of the difference between the transaction price and \$200,000,000;
- iv) if the Company is neither sold nor merged, but is up-listed to the Nasdaq Exchange within 3 years of the agreement, an equity distribution equal to the value per paragraphs i) – iii) above, to be paid on the 3 year anniversary of the agreement.

In May 2021, Mr. McFadden became an employee of the Company. All other terms of his contract remained the same.

In May 2021, the Company hired Lauren D’Angelo, the Chief Commercial Officer of the Company, requiring an annual base compensation of \$350,000.

In November 2021, the Company signed an employment agreement with Cedric O’Gorman, the Chief Medical Officer 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 three months.

Summary of key management personnel compensation:

	For the three months ended	
	March 31,	
	2022	2021
	\$	\$
Other general and administrative	3,587	9,000
Management fees and salaries	234,133	108,801
Professional fees	-	3,336
Research and development - management fees and salaries	234,266	113,333
Share-based compensation	444,820	590,316
	916,806	824,786

NOTE 11 – 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 7).

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.

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 12 – CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as all components of shareholders’ 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 13 – 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.

NOTE 13 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's financial instruments consist of cash, other current assets, accounts payable, derivative liability, and promissory note. The fair values of subscription receipts receivable, other current assets, accounts payable, related parties payable, refundable subscription receipts, convertible debentures 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. Derivative liability is measured at fair value on a recurring basis using level 3 inputs. The continuity and valuation techniques that are used to determine the fair value of the derivative liability are described in Note 8.

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, 2022, the Company had net monetary assets of approximately \$10,400,000 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 \$840,000. 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, 2022 and December 31, 2021.

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, 2022, the promissory note bears interest of 2% per annum and is subject to interest rate price risk. The Company maintains bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at March 31, 2022, the Company had a cash balance of \$9,082,964 to settle current financial liabilities of \$1,889,151.

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NOTE 13 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Liquidity risk

Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2022 are as follows:

	≤1 Year	>1-3 Years	Total
	\$	\$	\$
Accounts payable and accrued liabilities	781,627	-	781,627
Promissory note	1,211,463	-	1,211,463
	1,993,090	-	1,993,090

NOTE 14 – SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the three months ended	
	March 31, 2022	March 31, 2021
	\$	\$
Supplemental non-cash disclosures		
Shares issued for funds previously received	-	1,898,740
Shares issued for conversion of convertible debentures and interest	-	4,267,152
Reallocation of fair value of share options upon exercise	206,382	-

NOTE 15 – 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, 2022		
	Canada	United States of America	Total
	\$	\$	\$
Non-current assets other than financial instruments	677,300	10,132	687,432

	As at December 31, 2021		
	Canada	United States of America	Total
	\$	\$	\$
Non-current assets other than financial instruments	698,075	11,688	709,763

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NOTE 16 – RECLASSIFICATION OF AMOUNTS

Certain reclassification entries have been posted to correct immaterial prior period errors in the March 31, 2021 financials.

The following table illustrates the net financial statement impact of the reclassifications on the Condensed Statements of Loss and Comprehensive Income, Consolidated Statement of Financial Position and Condensed Statements of Changes in Equity (Deficiency) for the period ended March 31, 2021:

	As previously reported	Reclassification	As reclassified
	\$	\$	\$
For the three-months ended March 31, 2021			
Listing expense	(1,851,194)	446,994	(1,404,200)
Loss on derivative liability	(7,899,653)	(446,994)	(8,346,647)
Loss for the period	(12,224,948)	-	(12,224,948)
Comprehensive loss for the period	(12,224,948)	-	(12,224,948)
Basic and diluted loss per share	(0.28)	-	(0.28)

	As previously reported	Reclassification	As reclassified
	\$	\$	\$
Balance, March 31, 2021			
Common shares	20,970,205	(215,792)	20,754,413
Class A Restricted shares	3,394,914	(291,294)	3,103,620
Preferred shares	289,896	(289,834)	62
Total share capital	24,655,015	(796,920)	23,858,095
Reserves	4,770,513	746,433	5,516,946
Total shareholders' deficiency	1,298,654	50,487	1,349,141

NOTE 17 – SUBSEQUENT EVENTS

In April 2022, the Company granted 450,000 share options to the new 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.