

ALGERNON PHARMACEUTICALS INC.

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Form 51-102F6V

Statement of Executive Compensation – Venture Issuers (for financial year ended August 31, 2023)

STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS

GENERAL

The following information, dated as of March 6, 2024 is provided as required under Form 51-102F6V for Venture Issuers (the “Form”), as such term is defined in National Instrument 51-102.

For the purposes of this Form:

All monetary amounts herein are expressed in Canadian Dollars (“\$”) unless otherwise stated.

In this Statement:

“CEO” of the Company means each individual who acted as chief executive officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

“CFO” of the Company means each individual who acted as chief financial officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

“compensation securities” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries (if any) for services provided or to be provided, directly or indirectly to the Company or any of its subsidiaries (if any);and

“Named Executive Officer” or “NEO” means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for the financial year, and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

DIRECTOR AND NAMED EXECUTIVE COMPENSATION

During financial year ended August 31, 2023, based on the definition above, the NEOs of the Company were: Harry J.F. Bloomfield KC, Chairman and director, Christopher Moreau, Chief Executive Officer and director, Christopher Bryan, Vice President of Research and Operations and James Kinley, Chief Financial Officer and Corporate Secretary. The directors of the Company who were not NEOs during financial year ended August 31, 2023 were: Mark Williams, Raj Attariwala and Howard Gutman.

There were changes to the NEOs of the Company during the year ended August 31, 2023.

During financial year ended August 31, 2022, based on the definition above, the NEOs of the Company were: Harry J.F. Bloomfield KC, Chairman and director, Christopher Moreau, Chief Executive Officer and director, Christopher Bryan, Vice President of Research and Operations and James Kinley, Chief Financial Officer and Corporate Secretary. The directors of the Company who were not NEOs during financial year ended August 31, 2022 were: Michael Sadhra, David Levine, Mark Williams, Raj Attariwala and Howard Gutman.

Effective September 7, 2021: Harry J.F. Bloomfield KC was appointed Chairman and a director.

Effective September 16, 2021:

Michael Sadhra served as Chief Financial Officer from October 16, 2015 to September 16, 2021 and served as Corporate Secretary from January 13, 2020 to September 16, 2021. Mr. Sadhra continued to act as Chief Financial Officer until November 30, 2021.

Michael Sadhra served as a director from October 26, 2015 to September 16, 2021.

Mark Williams was appointed a director.

Effective December 1, 2021: James Kinley was appointed Chief Financial Officer.

Effective February 28, 2022:

David Levine did not stand for re-election as a director and ceased to be a director on February 28, 2022.

Howard Gutman was appointed a director on February 28, 2022.

James Kinley was appointed Corporate Secretary on February 28, 2022.

Effective March 1, 2022: Christopher Bryan was appointed Vice-President of Research and Operations.

Director and NEO Compensation, Excluding Options and Compensation Securities

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors who were not NEOs of the Company for the two completed financial years ended August 31, 2023 and August 31, 2022. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” in this Form.

Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Christopher Moreau CEO and Director	2023	220,000	Nil	Nil	Nil	324,302	544,302
	2022	220,000	198,000	Nil	Nil	158,449	576,449
Christopher Bryan Vice President of Research and Operations	2023	130,000	Nil	Nil	Nil	170,099	300,099
	2022	130,000	65,000	Nil	Nil	62,541	257,541
James Kinley CFO and Corporate Secretary	2023	120,000	Nil	Nil	Nil	170,099	290,099
	2022	90,000	17,500	Nil	Nil	62,541	170,041
Michael Sadhra Former CFO, Former Corporate Secretary and Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	75,000	Nil	Nil	Nil	Nil	75,000
Harry J.F. Bloomfield KC Chairman and Director	2023	36,501	Nil	Nil	Nil	150,672	187,173
	2022	36,100	Nil	Nil	Nil	69,920	106,020
Mark Williams Director	2023	29,000	Nil	Nil	Nil	57,937	86,937
	2022	19,500	Nil	Nil	Nil	34,371	53,871
Raj Attariwala Director	2023	24,000	Nil	Nil	Nil	57,937	81,937
	2022	17,000	Nil	Nil	Nil	34,371	51,371
Howard Gutman Director	2023	23,835	Nil	Nil	Nil	69,597	93,432
	2022	14,116	Nil	Nil	Nil	23,320	37,436
David Levine Former Director	2023	Nil	Nil	Nil	Nil	Nil	Nil
	2022	3,000	Nil	Nil	Nil	22,711	25,711

Other than as set forth above, no NEO or Director of the Company has, during completed financial year ended August 31, 2023, received compensation pursuant to:

- (a) any standard arrangement for the compensation of NEOs or Directors for their services in their capacity as NEOs and/or Directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of NEOs in their capacity as NEOs; or
- (c) any arrangement for the compensation of NEOs of Directors for services as consultants or expert.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

Related party transactions to key management personnel are as follows:

Years ended August 31	2023	2022
Short-term benefits ⁽¹⁾	\$ 578,335	\$ 885,216
Consulting fees - other ⁽²⁾	8,500	2,500
Share-based payment ⁽³⁾	1,000,643	468,224
Rent ⁽⁴⁾	-	9,000
	\$ 1,587,478	\$ 1,364,940

Notes:

- (1) Salaries and consulting fees paid to officers and directors fees to independent directors:
 - \$220,000 (2022 - \$418,000, including \$198,000 pertaining to bonuses) to Chief Executive Officer;
 - \$Nil (2022 - \$75,000, including \$45,000 pertaining to a severance payment) to the Chief Financial Officer who resigned as Chief Financial Officer effective December 1, 2021;
 - \$120,000 (2022 - \$107,500, including \$17,500 pertaining to bonuses) to Chief Financial Officer, who was appointed effective December 1, 2021;
 - \$130,000 (2022 - \$195,000, including \$65,000 pertaining to bonuses) to the Vice President Research and Operations;
 - \$36,501 (2022 - \$36,100) to the Chairman and independent director, who was appointed effective September 7, 2022;
 - \$24,000 (2022 - \$19,500) to an independent director, who was appointed effective September 22, 2022;
 - \$24,000 (2022 - \$17,000) to an independent director;
 - \$23,835 (2022 - \$14,116) to an independent director, who was elected to the board of directors on February 28, 2022.
 - \$Nil (2022 - \$3,000) to an independent director, who ceased to be a director of the Company on February 28, 2022.
- (2) For the year ended August 31, 2023, \$3,500 (2022 - \$2,500) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services. For the year ended August 31, 2023, \$5,000 (2022 - \$Nil) was paid to an independent director pertaining to scientific consulting services provided to the Company.
- (3) Share-based payments for the year ended August 31, 2023 were non-cash items that consisted of the fair value of the unvested stock options that were granted to key management personnel including members of the Board of Directors on January 1, 2022 and August 31, 2022 and the fair value of unvested RSUs that were granted to key management personnel including members of the Board of Directors on August 31, 2022. Share-based payments for the year ended August 31, 2022 were non-cash items that consisted of the fair value of the stock options that were granted to key management personnel including members of the Board of Directors on January 1, 2022 and August 31, 2022 and the fair value of RSUs that were granted to key management personnel including members of the Board of Directors, but unvested during the year ended August 31, 2022.
- (4) Rent consists of \$Nil (2022 - \$9,000) paid for corporate office space to a company where a senior officer until November 30, 2021 and director until September 22, 2021 is a principal. Beginning December 1, 2021, this former senior officer and director is no longer a related party of the Company.

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

As at	August 31, 2023	August 31, 2022
Key management personnel – bonuses	\$ -	\$ 268,000
Key management personnel – directors fee	15,031	5,244
Key management personnel – consulting fees	1,288	788
Total	\$ 16,319	\$ 274,032

Stock Options and Other Compensation Securities

A. 10% “rolling” Share Option Plan (Option-Based Awards)

The Company has a 10% “rolling” stock option plan which was adopted on September 11, 2015 (the “**Stock Option Plan**”). The Stock Option Plan was approved for adoption by shareholders at the Company’s annual general meeting held on April 10, 2017. A copy of the Stock Option Plan was SEDAR filed under the Company’s SEDAR corporate website at www.sedar.com on January 28, 2016 (formerly Breathtec Biomedical, Inc.).

The purpose of the Stock Option Plan is to attract, retain, and motivate NEOs, directors, employees and other service providers by providing them with the opportunity, through the grant of stock options (“**Stock Options**”), to acquire an interest in the Company and benefit from the Company’s growth. A Stock Option is an incentive share purchase option that entitles the holder to purchase Shares of the Company.

Under the Stock Option Plan, the maximum number of common shares reserved for issuance, including Stock Options currently outstanding, is equal to 10% of the issued and outstanding common shares from time to time (the “10% Maximum”). Following the exercise, termination, cancellation or expiration of any Stock Options, a number of Shares equivalent to the number of Stock Options exercised, terminated, cancelled or expired would become available for reserve for issuance in respect of future Stock Option grants.

Material Terms to the Stock Option Plan

- (a) The number of Shares which may be the subject of Stock Options on a yearly basis to any one person cannot exceed 5% of the number of issued and outstanding Shares at the time of the grant;
- (b) Stock Options may be granted to any employee, officer, director, consultant, affiliate or subsidiary of the Company exercisable at a price which is not less than the market price of Shares on the date of the grant;
- (c) The directors of the Company may, by resolution, determine the time period during which any Stock Option may be exercised (the “**Exercise Period**”), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the Shares may be listed;
- (d) All Stock Options will terminate on the earliest to occur of:
 - (i) the expiry of their term;
 - (ii) the date of termination of an optionee’s employment, office or position as director, if terminated for just cause;
 - (iii) 90 days (or such other period of time as permitted by any rule or regulation of such exchange on which the common shares may be listed) following the date of termination of an optionee’s position as a director or NEO, if terminated for any reason other than the optionee’s disability or death; and
 - (iv) 30 days following the date of termination of an optionee’s position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee’s disability, death, or just cause;
- (e) Stock Options are non-assignable and non-transferable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be an NEO, director, employee, consultant, affiliate, or subsidiary of the Company, as the case may be.

Subject to the foregoing restrictions, and certain other restrictions set out in the Stock Option Plan, the Board is authorized to provide for the granting of Stock Options and the exercise and method of exercise of Stock Options granted under the Stock Option Plan.

B. 10% “rolling” Restricted Share Unit Plan (Share-Based Awards)

The Company adopted a 10% “rolling” RSU Plan on July 23, 2020 (the “**RSU Plan**”). The RSU Plan allows the Company to grant restricted share units (“**RSUs**”) to directors, officer, employees and consultants of the Company (“**Eligible Persons**”).

An RSU is a bookkeeping entry equivalent in value to a Share credited to an Eligible Person’s (a “**Participant**”) account and

represents the right of a Participant to whom a grant of such RSUs is made to receive one Share (or an amount of cash equal to the market value thereof).

The purpose of the RSU Plan is to promote and advance the interests of the Company by:

- (i) providing Eligible Persons with additional incentive through an opportunity to receive discretionary bonuses in the form of Shares of the Company,
- (ii) encouraging stock ownership by such Eligible Persons,
- (iii) increasing the proprietary interest of Eligible Persons in the success of the Company, and increasing the ability to attract, retain and motivate Eligible Persons.

Similar to the Stock Option Plan, the maximum number of Shares reserved for issuance under the RSU Plan shall not exceed 10% of the issued and outstanding Shares from time to time (the “10% Maximum”), less any common shares reserved for issuance under all other compensation agreements, such as the Stock Option Plan.

The RSU Plan is a “rolling plan” and when RSUs are cancelled (whether or not upon payment with respect to vested RSUs) or terminated, the number of Shares in respect of such cancelled or terminated RSUs shall again be available for the purpose of granting RSU Awards pursuant to the RSU Plan.

Material Terms to the RSU Plan

- (a) RSUs may be granted to any employee, officer, director, consultant or subsidiary of the Company provided that RSUs granted to any Eligible Person shall be approved by shareholders if the rules of the stock exchange the Company is listed on requires such approval;
- (b) Where the Board determines to grant an RSU Award to an Eligible Person and sets the terms and conditions applicable to such RSU Award, the Company shall deliver to the Eligible Person a grant letter (an “**RSU Grant Letter**”), containing the terms and conditions applicable to such RSU Award and will credit the Participant’s Account with the number of RSUs granted to such Participant under the terms of the RSU Award on the grant of an RSU Award;
- (c) The grant of an RSU Award shall entitle the Participant to the conditional right to receive for each RSU credited to the Participant’s Account, at the election of the Company, either one Share or an amount in cash, net of applicable taxes and contributions to government sponsored plans, as determined by the Board, equal to the Market Price of one Share for each RSU credited to the Participant’s Account on the Settlement Date, subject to the conditions set out in the RSU Grant Letter and in the RSU Plan, and subject to all other terms of the RSU Plan;
- (d) An Eligible Person may receive an RSU Award on more than one occasion under the RSU Plan and may receive separate RSU Awards on any one occasion;
- (e) RSUs granted under the RSU Plan to an Eligible Person in a calendar year will (subject to any applicable terms and conditions) represent a right to a bonus or similar award to be received for services rendered by such Eligible Person to the Company or an Affiliate, as the case may be, in the fiscal year ending in, coincident with or before such calendar year, subject to any other determination by the Company;
- (f) Subject to the provisions of the RSU Plan and any vesting limitations imposed by the Board at the time of grant, RSUs subject to an RSU Award may be settled by a Participant during the Settlement Period applicable to the RSU by delivery to the Company of a notice (the “**Settlement Notice**”) in a form attached to the RSU Grant Letter. As soon as practicable following the receipt of the Settlement Notice, RSUs will be settled by the Company through the delivery by the Company of such number of Shares equal to the number of RSUs then being settled or, at a Company’s election, an amount in cash, net of applicable taxes and contributions to government sponsored plans, equal to the market price at the Settlement Date of one Share for each RSU then being settled. Where, prior to the Expiry Date, a Participant fails to elect to settle an RSU, the Participant shall be deemed to have elected to settle such RSUs on the day immediately preceding the Expiry Date.
- (g) Notwithstanding the foregoing, if the Company elects to issue Shares in settlement of RSUs:
 - (i) the Company may arrange for such number of the Shares to be sold as it deems necessary or advisable to raise an amount at least equal to its determination of such applicable taxes, with such amount being withheld by the Company; or
 - (ii) the Company may elect to settle for cash such number of RSUs as it deems necessary or advisable to raise funds sufficient to cover such withholding taxes with such amount being withheld by the Company; or

- (iii) the Company may, as a condition of settlement in the form of Shares, require the Participant to pay the applicable taxes as determined by the Company or make such other arrangement acceptable to the Company in its discretion (if at all) as it deems necessary or advisable.
- (h) Except as otherwise determined by the Board:
- (i) The “Termination Date” means the date on which a Participant ceases to be an Eligible Person;
 - (ii) all RSUs held by the Participant (whether vested or unvested) shall terminate automatically upon the termination of the Participant’s service with the Company or any subsidiary companies for any reason other than as set forth in the RSU Plan;
 - (iii) in the case of a termination of the Participant’s service by reason of (A) termination by the Company or any Subsidiary Companies other than for Cause, or (B) the Participant’s death, the Participant’s unvested RSUs shall vest automatically as of such date, and on the earlier of the original Expiry Date and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant (or the Participant’s executor or administrator, or the person or persons to whom the Participant’s RSUs are transferred by will or the applicable laws of descent and distribution) will be eligible to request that the Company settle the Participant’s vested RSUs. Where, prior to the 90th day following such termination of service (or, if earlier, the Termination Date) the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on such 90th day (or, if earlier, the Termination Date) and to receive Shares in respect thereof;
 - (iv) in the case of a termination of the Participant’s services by reason of voluntary resignation, only the Participant’s unvested RSUs shall terminate automatically as of such date, and any time during the ninety (90) day period commencing on the date of such termination of service (or, if earlier, the Termination Date), the Participant will be eligible to request that the Company settle its vested RSUs. If the Participant fails to elect to settle a vested RSU, the Participant shall be deemed to have elected to settle such RSU on the 90th day and will receive Shares in respect thereof;
 - (v) for greater certainty, where a Participant’s employment or term of office terminates by reason of termination by the Company or any subsidiary companies for cause then any RSUs held by the Participant, whether or not vested at the Termination Date, immediately terminate and are cancelled on the Termination Date or at a time as may be determined by the Board, in its sole discretion;
 - (vi) a Participant’s eligibility to receive further grants of RSUs under the RSU Plan ceases as of the earliest of the date the Participant resigns from the Company or any subsidiary company and the date that the Company or any subsidiary company provides the Participant with written notification that the Participant’s employment or term of office, as the case may be, is terminated, notwithstanding that such date may be prior to the Termination Date; and
 - (vii) for the purposes of the RSU Plan, a Participant shall not be deemed to have terminated service where: (i) the Participant remains in employment or office within or among the Company or any subsidiary company or (ii) the Participant is on a leave of absence approved by the Board.
- (i) RSUs shall not be transferable or assignable by the Participant otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant’s legal representative.

Subject to the foregoing restrictions, and certain other restrictions set out in the RSU Plan, the Board is authorized to provide for the granting of RSUs, the vesting limitations on the RSUs and the method in which the RSUs are settled.

Outstanding Compensation Securities

Stock Options and Other Compensation Securities

There were no compensation securities granted or issued to each NEO and Director of the Company for the completed financial year ended August 31, 2023. Effective on March 3, 2023, the Company completed a forward split of its Class A common shares at a share ratio of 4:1.

- (1) Mr. Moreau had a total of 278,000 stock options (278,000 underlying common shares – 1.76% of class) and 240,000 RSUs (240,000 underlying common shares – 1.52% of class):
 - 20,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$2.50 per share until February 13, 2025;
 - 50,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
 - 128,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 80,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 240,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (2) Dr. Bryan had a total of 104,000 stock options (104,000 underlying common shares – 0.66% of class) and 120,000 RSUs (120,000 underlying common shares – 0.76% of class):
 - 10,000 stock options issued on August 17, 2020, each exercisable into one common share of the Company at a price of \$8.75 per share until August 17, 2025;
 - 54,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 120,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (3) Mr. Kinley had a total of 94,000 stock options (94,000 underlying common shares – 0.60% of class) and 120,000 RSUs (120,000 underlying common shares – 0.76% of class):
 - 54,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 120,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 2/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (4) Mr. Bloomfield had a total of 100,000 stock options (100,000 underlying common shares – 0.63% of class) and 66,667 RSUs (66,667 underlying common shares – 0.42% of class):
 - 40,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 60,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$51.35 per share until August 31, 2027;
 - 100,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 33,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (5) Dr. Williams had a total of 46,000 stock options (46,000 underlying common shares – 0.29% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
 - 26,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 20,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.
- (6) Dr. Attariwala had a total of 62,000 stock options (62,000 underlying common shares – 0.39% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
 - 8,000 stock options issued on February 13, 2020, each exercisable into one common share of the Company at a price of \$2.50 per share until February 13, 2025;
 - 8,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
 - 26,000 stock options issued on January 1, 2022, each exercisable into one common share of the Company at a price of \$1.03 per share until January 1, 2027;
 - 20,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.

- (7) Mr. Gutman had a total of 48,000 stock options (48,000 underlying common shares – 0.30% of class) and 26,667 RSUs (26,667 underlying common shares – 0.17% of class):
- 8,000 stock options issued on April 13, 2020, each exercisable into one common share of the Company at a price of \$7.25 per share until April 13, 2025;
 - 40,000 stock options issued on August 31, 2022, each exercisable into one common share of the Company at a price of \$1.35 per share until August 31, 2027;
 - 40,000 RSUs were issued on August 31, 2022, each RSU convertible into one common share of the Company. 1/3 of the RSUs were settled with the issuance of 13,333 common shares of the Company, 1/3 of the RSUs have vested with the remaining 1/3 vesting on January 1, 2024.

Exercise of Compensation Securities by Directors and NEOs:

The following table sets out compensation securities that were exercised by Directors and NEOs during the financial year ended August 31, 2023:

Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference Between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Harry J.F. Bloomfield KC Chairman and Director	RSUs	33,332	\$0.54	January 1, 2023	\$0.54	N/A	\$17,999
Mark Williams Director	RSUs	13,332	\$0.54	January 1, 2023	\$0.54	N/A	\$7,199
Raj Attariwala Director	RSUs	13,332	\$0.54	January 1, 2023	\$0.54	N/A	\$7,199
Howard Gutman Director	RSUs	13,332	\$0.51	March 5, 2023	\$0.51	N/A	\$6,799

Employment, Consulting and Management Agreements

Management functions of the Company are substantially performed by directors or senior officers (or private companies controlled by them, either directly or indirectly) of the Company and not, to any substantial degree, by any other person with whom the Company has contracted.

Management Consulting Agreement with Christopher Moreau

The Company entered into a Management Consulting Agreement dated March 1, 2018 with Christopher Moreau (the “**Moreau Agreement**”) whereby Mr. Moreau was retained to act as the Company’s CEO. The Moreau Agreement provided for the remuneration of Mr. Moreau at the rate of CAD\$9,000 per month (the “Moreau Base Fee”). The Moreau Base Fee was increased to CAD\$13,333 per month effective on December 1, 2019. The Moreau Agreement was amended and restated on July 31, 2020 (“Moreau Amended and Restated Agreement”) whereby the Moreau Base Fee was further amended to CAD\$18,333 per month effective on July 31, 2020. Mr. Moreau is not paid for being a director of the Company. On September 1, 2020, the Company replaced the Moreau Amended and Restated Agreement with an Executive Employment Agreement with Mr. Moreau at the same rate of CAD\$18,333 per month. On May 31, 2023, the Company and Mr. Moreau terminated the Executive Employment Agreement and entered into a Management Consulting Agreement dated June 1, 2023 at the same rate of CAD\$18,333 per month.

Agreement with Dr. Christopher Bryan

The Company entered into an Agreement dated March 1, 2021 with Dr. Christopher Bryan whereby Dr. Bryan was retained to act as the Company’s Vice President of Research and Operations. The agreement provides for the remuneration of Dr. Bryan at the rate of CAD\$10,833 per month.

Agreement with James Kinley

The Company entered into an Executive Employment Agreement dated December 1, 2021 with James Kinley whereby Mr. Kinley was retained to act as the Company's CFO. The agreement provides for the remuneration of Mr. Kinley at the rate of CAD\$10,000 per month. On May 31, 2023, the Company and Mr. Kinley terminated the Executive Employment Agreement and entered into a Management Consulting Agreement dated June 1, 2023 at the same rate of CAD\$18,333 per month.

Agreement with Michael Sadhra

Under a prior agreement with the Company, Michael Sadhra acted as the Company's CFO at a rate of CAD\$4,000 per month (the "**Sadhra Base Fee**"). The Company amended and restated any prior agreement it had with Mr. Sadhra on July 31, 2020 ("**Sadhra Amended and Restated Agreement**") whereby the Sadhra Base Fee was amended to CAD\$10,000 per month effective on July 31, 2020. Mr. Sadhra is not paid for being a director of the Company. On September 1, 2020, the Company replaced the Sadhra Amended and Restated Agreement with an Executive Employment Agreement with Mr. Sadhra at the same rate of CAD\$10,000 per month. Mr. Sadhra continued to act as CFO until November 30, 2021, and was paid a severance amount of \$45,000.

Oversight and Description of Director and NEO Compensation

On October 12, 2021 the Board adopted a Compensation Committee charter. The members of the Compensation Committee are: Harry J.F. Bloomfield KC (Chair), Raj Attariwala and Howard Gutman.

In determining compensation, this Committee considers industry standards and its financial situation but does not currently have any formal objectives or criteria. The performance of each NEO is informally monitored by this Committee, who keeps in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The duties and responsibilities of the NEOs are typical of those of a business entity of the Company's size in a similar business and include direct reporting responsibility to this Committee, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

This Committee is also responsible for recommending compensation for the directors and granting stock options and awarding restricted share units to the directors, NEOs and employees of, and consultants to, the Company pursuant to the Company's Stock Option Plan and Restricted Share Unit Plan respectively (defined above).

Philosophy and Objectives

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

- attracting and retaining talented, qualified and effective executives;
- motivating the short and long-term performance of these executives; and
- better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary and equity participation through its Stock Option Plan and Restricted Share Unit Plan.

The Company relies solely on the discussions of the Board, without any formal objectives, criteria and analysis, for determining executive compensation.

Base Salary or Consulting Fees

In establishing the base salary for NEOs, the Compensation Committee considers the NEO's performance, level of expertise, responsibilities, length of service to the Company and comparable levels of remuneration paid to executives of other companies of comparable size and development. The financial and other resources of the Company are also considered since capital management is critical to the Company as a successful generator of business using Shareholders' funds. Using this information, together with budgetary guidelines the Board determines and sets the base salaries of the CEO, CFO and other NEOs.

Bonus Incentive Compensation

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for granting of bonuses. The Board approves executive bonus compensation dependent upon compensation

levels based on recommendations of the CEO. Such recommendations are generally based on information provided by issuers that are similar in size and scope to the Company's operations.

Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Stock Option Plan and Restricted Share Unit Plan. Stock options are granted and restricted share units are awarded to executives and employees taking into account a number of factors, including the amount and term of Options and RSUs previously granted, base salary and bonuses and competitive factors. The amounts and terms of Options granted and RSUs awarded are determined by the Board.

The Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Compensation Review Process

Compensation Components: Compensation paid to the Company's NEOs consists of a base salary in the form of cash compensation, and long-term incentive stock options and restricted share units. No specific formula is used to assign a specific weighting to these components. Instead, the Board considers the Company's performance and assigns compensation based on this assessment.

In establishing compensation levels, the Board also relies on the experience of its members as officers and directors of other companies in similar lines of business as the Company. The purpose of this comparison to similar companies is to: (1) understand the competitiveness of current pay levels for each executive position relative to companies with similar business characteristics; (2) identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and (3) establish a basis for developing salary adjustments and long-term incentive awards for the Board to consider and approve.

Hedging by Named Executive Officers or Directors

The Company has no policy with respect to NEOs or directors purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Benefits and Perquisites

The Company does not offer any benefits or perquisites to its directors or NEOs other than potential grants of incentive stock options and restricted share units awards as otherwise disclosed and discussed herein.

Option-Based Awards

As described above, the Company has a 10% "rolling" Stock Option Plan (the "**Stock Option Plan**"). The Stock Option Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Management proposes stock option grants to the Board based on such criteria as performance, previous grants, and hiring incentives. All grants require approval of the Board.

The purpose of the Company's Stock Option Plan is to provide the Company with a share related mechanism to enable the Company to attract, retain and motivate qualified directors, officers, employees and other service providers, to reward directors, officers, employees and other service providers for their contribution toward the long-term goals of the Company and to enable and encourage such individuals to acquire Shares of the Company as long-term investments.

Share-Based Awards

As described above, the Company has a 10% "rolling" restricted share unit plan (the "**RSU Plan**"). The RSU Plan was established to promote and advance the interests of the Company by providing eligible persons with additional incentive through an opportunity to receive discretionary bonuses in the form of Shares of the Company, encourage stock ownership by such eligible persons, increase the proprietary interest of eligible persons in the success of the Company, and increase the ability to attract, retain and motivate eligible persons.

Management proposes RSU Awards to the Board based on such criteria as performance, previous grants, and hiring incentives. All RSU Awards require approval of the Board

Oversight and Description of Director Compensation

Other than the Stock Option Plan and Restricted Share Unit Plan, as discussed above, the Company does not offer any long-

term incentive plans, share compensation plans or any other such benefit programs for directors.

Long Term Compensation

Long term compensation is paid in the form of granting of stock options and restricted share units. The Board established the Stock Option Plan and Restricted Share Unit Plan to encourage share ownership and entrepreneurship on the part of the directors, management and employees. The Board believes that the Stock Option Plan and Restricted Share Unit Plan aligns the interests of the NEOs with the interests of Shareholders by linking a component of compensation to the longer-term performance of the Company's Shares.

Stock Options are generally granted on an annual basis, subject to the imposition of trading black-out periods, in which case Options scheduled for grant will be granted subsequent to the end of the black-out period. All Stock Options granted and RSUs awarded to NEOs are approved by the Board. In monitoring stock option grants and restricted share units, the Board takes into account the level of stock options and restricted share units granted by comparable companies for similar levels of responsibility and considers each NEO based on reports received from management, its own observations on individual performance (where possible) and its assessment of individual contributions to Shareholder value.

In addition to determining the number of stock options to be granted and restricted share units to be awarded, the Board also makes the following determinations:

- the exercise price for each stock option granted or restricted share unit awarded;
- the date on which each stock option is granted or restricted share unit awarded;
- the vesting terms for each stock option and restricted share unit; and
- the other materials terms and conditions of each stock option grant and each restricted share unit awarded.

The Board makes these determinations subject to and in accordance with the provisions of the Stock Option Plan and the Restricted Share Unit Plan.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the NEOs or Directors at, following, or in connection with retirement.