



LOBE SCIENCES LTD.

Consolidated Financial Statements

For the years ended August 31, 2025 and 2024

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lobe Sciences Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lobe Sciences Ltd.(the "Company"), which comprise the consolidated statements of financial position as at August 31, 2025 and 2024 and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

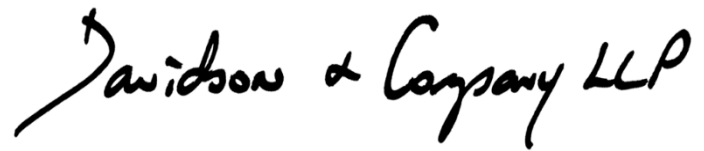
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dylan Connelly.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

December 29, 2025

LOBE SCIENCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	August 31, 2025 \$	August 31, 2024 \$
ASSETS			
Current			
Cash		5,854,118	237,772
Receivables		47,500	9,343
Prepaid expenses and deposits	6	745	11,455
Short-term Investment	10	1,686,688	-
Total assets		7,589,051	258,570
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Accounts payable and accrued liabilities	13	1,982,421	784,321
Income tax payable		238,000	238,000
Convertible notes - current portion	8	-	641,374
Derivative liability	8	205,105	603,724
		2,425,526	2,267,419
Convertible notes	8	273,349	1,105,539
Total liabilities		2,698,875	3,372,958
Shareholders' Equity			
Share capital	9	34,707,965	30,612,082
Reserves	9	6,712,183	6,371,728
Accumulated other comprehensive loss		189,544	4,904
Deficit		(39,253,836)	(40,103,102)
Non-Controlling Interest	12	2,534,320	-
Shareholders Equity		4,890,177	(3,114,388)
Total liabilities and shareholders' equity		7,589,051	258,570

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved and authorized for issue on behalf of the Board of Directors:

"Frederick D. Sancilio"

Director

"Wesley Ramjeet"

Director

LOBE SCIENCES LTD.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except number of shares)

	Note	Aug 31, 2025	Year ended Aug 31, 2024
Revenue		-	136,205
Cost of sales		-	(1,759)
Gross profit		-	134,446
Advertising		(21,192)	(10,258)
Amortization	7	-	(84,709)
Consulting fees	13	(1,400,701)	(904,839)
Directors fees	13	(651,513)	-
General and administrative		(77,054)	(143,535)
Insurance		(84,282)	(134,361)
Professional fees	13	(773,339)	(314,746)
Research		(641,119)	(386,236)
Share-based compensation	9	(527,122)	(271,876)
Operating loss		(4,176,322)	(2,116,114)
Other income (expenses)			
Accretion expense	8	(323,817)	(95,993)
Foreign exchange		(52,309)	(4,778)
Interest expense	8	(272,748)	(90,652)
Impairment of intangible assets	7	-	(2,593,677)
Inventory write off		-	(15,396)
Gain (loss) on change in fair value of derivative liability	8	(370,412)	(40,982)
Gain (loss) on debt settlement		303,579	579,567
Interest income		18,645	-
Miscellaneous Income		279	-
Dividend income		39,859	-
Foreign Exchange Revaluation Gain (Loss)		(28,365)	-
Loss before tax		(4,861,611)	(4,387,727)
Income tax expense		-	(33,000)
Net loss		(4,861,611)	(4,420,727)
Attributable to Lobe Shareholders		(4,427,659)	(4,420,727)
Attributable to Non-Controlling Interest	12	(433,952)	-
Other comprehensive income			
Gain (Loss) on translation of foreign subsidiaries		93,322	5,857
Comprehensive loss		(4,768,289)	(4,414,870)
Attributable to Lobe Shareholders		(4,339,974)	-
Attributable to Non-Controlling Interest	12	(428,315)	-
Net loss per share			
Basic and diluted		(0.03)	(0.04)
Weighted average number of shares outstanding			
Basic and diluted		138,719,991	122,134,338

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

LOBE SCIENCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year Ended August 2024
	2025	
	\$	\$
Operating Activities		
Net loss and comprehensive loss	(4,861,611)	(4,420,727)
Adjustments to non-cash items		
Amortization	-	84,709
Share-based compensation	527,122	271,876
Accretion expense	323,817	95,993
Unrealized foreign exchange loss (gain)	93,322	5,681
Impairment of intangible assets	-	2,593,677
Inventory write off	-	15,396
Interest expense	272,748	90,652
Gain on change in fair value of derivative liability	370,412	40,982
Gain on debt settlement	(303,860)	(579,567)
Loss on debt settlement	-	9,702
Changes in non-cash working capital items		
Receivables	(38,157)	5,572
Inventory	-	1,759
Prepaid expenses	10,710	135,716
Accounts payable and accrued liabilities	2,188,373	1,153,286
Income tax payable	-	33,000
Net cash used in operating activities	(1,417,124)	(462,293)
Investing Activities		
Short-term Investment	(1,686,688)	-
Net Cash provided by investing activities	(1,686,688)	-
Financing Activities		
Convertible notes issued	168,871	563,507
Share issued from Private Placement	345,530	
Preferred Shares Series A for NCI	8,245,200	-
Net Cash provided by financing activities	8,759,601	563,507
Effect of exchange rate changes on cash	(39,443)	(3,732)
(Decrease) increase in cash	5,616,346	101,214
Cash, beginning of period	237,772	140,290
Cash, end of period	5,854,118	237,772

There are no non-cash financing or investing activities in the years presented except as disclosed elsewhere in these consolidated financial statement.

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

LOBE SCIENCES LTD.
Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

(Expressed in Canadian dollars, except number of shares)

	Number #	Issued capital \$	Shares to be issued \$	Reserves \$	Accumulated other comprehensive income \$	Deficit \$	NCI \$	Total \$
August 31, 2023	79,136,172	27,623,599	1,961,750	5,937,852	(953)	(35,682,375)	-	(160,127)
Restricted share units issued to settle accounts payable	-	-	-	162,000	-	-	-	162,000
Shares issued to settle accounts payable	16,424,220	328,483	-	-	-	-	-	328,483
Shares issued in Altermia acquisition Amendment	76,000,000	2,660,000	(1,961,750)	-	-	-	-	698,250
Share-based compensation	-	-	-	271,876	-	-	-	271,876
Currency translation adjustment	-	-	-	-	5,857	-	-	5,857
Net loss for the year	-	-	-	-	-	(4,420,727)	-	(4,420,727)
August 31, 2024	171,560,392	30,612,082	-	6,371,728	4,904	(40,103,102)	-	(3,114,388)
Shares issued to settle accounts payable and accrued liabilities	25,234,045	841,953	-	-	-	-	-	841,953
Share issued through private placement	8,535,625	345,530	-	-	-	-	-	345,530
Share-based compensation	9,333,333	186,667	-	340,455	-	-	-	527,122
Shares issued with debt settlement	49,486,053	2,721,733	-	-	-	-	-	2,721,733
Currency translation adjustment	-	-	-	-	184,640	-	-	184,640
Non-Controlling Interest in Cynaptec	-	-	-	-	-	5,276,928	2,968,272	8,245,200
Net loss for the period	-	-	-	-	-	(4,427,659)	(433,952)	(4,861,611)
August 31, 2025	264,149,448	34,707,965	-	6,712,183	189,544	(39,253,835)	2,534,320	4,890,177

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lobe Sciences Ltd. (the "Company" or "Lobe") was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 1771 Robson Street #1614 Vancouver, BC V6G 3B7.

The Company's common shares are listed under the symbol "LOBE" on the Canadian Securities Exchange ("CSE"), under the symbol "LOBEF" on the OTCQB, and under the symbol "LOBE.F" on the Frankfurt Exchange.

The Company is a biopharmaceutical company focused on using lipid technology to develop innovative treatments for orphan and rare diseases. The Company commercializes Altemia® MF, a medical food designed to manage deficiencies commonly found in sickle cell disease. Additionally, through its subsidiaries, the Company retains a majority interest in developing Conjugated Psilocin™ in neurology and psychiatric indications. Alera Pharma, Inc. remains a wholly owned subsidiary of the Company that Lobe may elect to utilize for future activity unrelated to Conjugated Psilocin™.

These audited consolidated financial statements for the years ended August 31, 2025 and 2024 (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at August 31, 2025, the Company had a working capital surplus of \$5,163,525 (a deficit August 31, 2024 - \$2,008,849) and an accumulated deficit of \$39,162,518 (August 31, 2024 - \$40,103,102). During the years ended August 31, 2025, the Company incurred a net loss of \$4,861,611 (2024 - \$4,420,727).

The Company intends on financing its future development activities and operations from the sale of equity securities. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Should the Company be unable to continue as a going concern, the financial position, results of operations, and cash flows reported in these financial statements may be subject to material adjustments. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on December 29, 2025.

These financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of financial statements.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"), except as otherwise noted. The functional currency of the Company is CAD. See "Basis of Consolidation" for the functional currency of the Company's subsidiaries. References to "USD" or "US\$" are to United States dollars. References to "AUD" are to Australian dollars. References to "EUR" are to Euros.

d) Basis of consolidation

These financial statements include the financial statements of the Company and entities controlled by the Company. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

LOBE SCIENCES LTD.
Notes to the Consolidated Financial Statements
For the years ended August 31, 2025 and 2024
(Expressed in Canadian dollars, except where noted)

Effective April 11, 2025, the Company reduced its ownership interest in Cynaptec Pharmaceuticals Inc. to 64%. As the Company continues to hold a controlling interest, Cynaptec Pharmaceuticals Inc. remains consolidated.

All intercompany balances and transactions have been eliminated on consolidation.

A summary of the Company's subsidiaries included in these financial statements as at August 31, 2025 is as follows:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency
Eleusian Biosciences Corp.	Canada	100%	CAD
Lobe Sciences Australia Pty Ltd. ⁽¹⁾	Australia	100%	CAD
Altemia & Company, LLC ⁽²⁾	United States	100%	USD
Alera Pharma Inc. ⁽³⁾	United States	100%	CAD
Cynaptec Pharmaceuticals Inc. ⁽⁴⁾	United States	64%	USD

(1) Lobe Sciences Australia Pty Ltd. was incorporated on September 7, 2022. It was voluntarily dissolved on August 21, 2025

(2) Altemia was acquired on April 17, 2023.

(3) Alera Pharma Inc. was incorporated on August 21, 2024.

(4) Cynaptec Pharmaceuticals Inc. was incorporated as a wholly owned subsidiary on February 5, 2025. On April 11, 2025, the Company sold a portion of its interest, reducing its ownership to 64%

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in profit or loss.

b) Cash

Cash is comprised of cash at banks.

c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and,
- as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to profit or loss.

d) Convertible notes

The convertible notes were determined to be compound instruments, comprising a financial liability (debt obligation) and a derivative liability (conversion option). The derivative liability is recognized at fair value using the probability weighted expected return method. Using the residual method, the carrying amount of the debt obligation represents the difference between the principal amount and the derivative liability. The convertible notes, net of the conversion option, are accreted to the principal balance using the effective interest rate method over the term of the convertible notes, such that the carrying amount of the debt obligation will equal the principal balance at maturity.

The derivative liability associated with the conversion option of the convertible notes is measured using the probability weighted expected return method. The derivative liability is initially measured on the transaction date, remeasured on each balance sheet date, and on such a date that the conversion option is exercised. The change in fair value is recognized as a gain or loss on the consolidated statements of loss and comprehensive loss. Upon exercise of a conversion option, the conversion option's fair value is de-recognized and allocated to equity.

Upon exercise of the convertible debentures, the conversion option and the carrying value of debt obligation are reclassified to share capital. Transaction costs are allocated on a pro-rata basis between the debt obligation and the conversion option.

e) Share-based payments

The Company grants share purchase options, share purchase options and performance warrants to directors, officers, employees and/or consultants. The fair value of share purchase options and performance warrants are measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related share purchase options and performance warrants. Consideration paid for the shares on the exercise of share purchase options and performance warrants is credited to share capital. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

f) Deferred Share Units and Restricted Share Units

A Deferred Share Unit ("DSU") Plan was established for directors in 2021. In addition, a Restricted Share Unit ("RSU") Plan was established for directors and officers of the Company. The DSU's and RSU's vest equally over a four-year period and are equity settled. The cost of the DSU's and RSU's is measured at fair value based on the closing price of the Company's common shares preceding the day the DSU's and RSU's are granted. The fair value of the DSU's and RSU's, determined at the date of the grant, is charged to profit or loss, with offsetting credit to reserves, over the vesting period. On settlement date, the applicable original amounts of reserves are transferred to issued capital.

No expense is recognized for DSU's and RSU's that do not ultimately vest. Charges for DSU's and RSU's that are forfeited before vesting are reversed from reserves and credited to profit or loss. For those share options that expire unexercised after vesting, the recorded value remains in reserves.

g) Issued capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

Proceeds from the issuance of units are allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the placement and the balance, if any, is allocated to the attached warrants.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at the fair value of goods or services received or the fair value of the common shares issued if it is determined that the fair value of the goods or services cannot be reliably measured. The fair market value of the common shares issued is based upon the trading price of the Company's shares on the Canadian Securities Exchange on the date the goods or services are received or the date of share issuance, whichever is more appropriate.

h) Financial instruments

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company has classified cash, short-term investments and accounts payable and accrued liabilities at amortized cost.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to the consolidated statement of loss and comprehensive loss on disposal of the equity instrument, instead, it is transferred to deficit.

The Company does not currently hold any equity instruments designated as FVTOCI.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized on profit or loss to the extent they are not part of a designated hedging relationship.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized on the consolidated statement of loss and comprehensive loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method. The Company's financial liabilities measured at amortized cost are accounts payable and accrued liabilities and convertible notes. The Company has classified convertible notes and derivative liability at FVTPL.

i) Impairment of financial assets

The expected loss model ("ECL") applies to financial assets measured at amortized cost, contract assets and debt investments measured at fair value through other comprehensive income.

To assess credit losses, the Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk;
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low; or
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

j) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use and replacement cost. Fair value is determined with reference to discounted estimated future cash flow analysis or to recent transactions involving dispositions of similar assets. In assessing value in use, the estimated future cash flows are discounted to their present value. Replacement cost is the cost the Company would incur to replace the asset.

The pre-tax discount rate applied to the estimated future cash flows measured on a value in use basis reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as a charge to profit or loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Where an impairment, other than goodwill impairment, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for the asset or in prior periods. A reversal of impairment is recognized as a gain in the statement of loss or comprehensive loss. Goodwill impairment losses are not reversed.

k) Taxes

Current tax expense

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the period.

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax expense

Deferred tax is accounted for using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax losses and tax credits, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantially enacted at the reporting date. Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in earnings or loss.

l) Earnings(loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the income (loss) and comprehensive income (loss) of the Company by the basic weighted average number of common shares outstanding during the period.

For purposes of calculating diluted EPS, the proceeds from the potential exercise of dilutive share options and share purchase warrants with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company's common shares at their average market price for the period.

Share options and share purchase warrants are included in the calculation of diluted EPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

m) Research and development expenditures

Research expenditures are expensed in the period incurred. Product development expenditures are expensed in the period incurred unless the expenditures meet specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product. Any costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred. No product development expenditures have been deferred to date.

n) Revenue recognition

Revenue comprises the fair value of consideration received or receivable, for the sale of goods in the ordinary course of the Company's activities, taking into account contractually defined terms of payment and excluding taxes or duties. Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when

performance obligations under the terms of a contract with a customer are satisfied and collectability has been reasonably assured.

The Company does not have performance obligations subsequent to delivery on the sale of goods to customers and revenues from sale of goods are recognized at a "point in time", which is upon passing of control to the customer. The Company transfers control and satisfies its performance obligation upon delivery.

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

p) New standards and standards issued or amended but not yet effective

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended August 31, 2025 and have not been applied in preparing these financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

In April 2024, the IASB issued a new IFRS accounting standard *IFRS 18 Presentation and Disclosure in the Financial Statements* to improve the reporting of financial performance. IFRS 18 Presentation and Disclosure in the Financial Statements replaces IAS 1 Presentation of Financial Statements. The standards will become effective January 1, 2027, with early adoption permitted. The Company is in the process of assessing the impact of these new standards on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment in which the respective entity operates. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Impairment

Long-lived assets, including intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgments and estimates are required in determining the indicators of impairment and the estimates required to measure an impairment, if any.

Equity-settled share-based payments

Share-based payments are measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the measurement date and are expensed to profit or loss

over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Current and deferred income taxes

The Company's provision for income taxes is estimated based on the annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on contractual revenues and expenses and planned expenses, which are internally developed and reviewed by management.

Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and a derivative liability. The derivative liability, which represents the conversion option is initially measured at fair value using the probability weighted expected return method. The financial liability, which represents the obligation to pay the principal and coupon interest on the convertible notes in the future, is initially measured using the residual method as principal amount of the debt obligation less the initial fair value of the derivative liability at issuance.

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible notes at issuance and the subsequent recognition of accretion on the liability component. The determination of the fair value of the derivative liability is based on a number of assumptions as the Company utilizes the probability weighted expected return method for this measurement. The use of this model requires management to make various estimates and assumptions that impact the value assigned to the derivative liability including the probability of future events, the event timing and future exchange rates. Changes in these assumptions can significantly affect the fair value estimate.

Share consideration estimates

The Company has determined the fair value of the common share consideration portion of the acquisition of Altemia (Note 5) by measuring the fair value of the equity instruments at the acquisition agreement date and considering management's assessment of the terms and conditions upon which those equity instruments were granted, that is, the performance conditions to the issuance of the equity instruments.

5. DEREGISTRATION OF SUBSIDIARY

On August 21, 2025, Lobe Sciences Australia Pty Ltd, a wholly owned subsidiary of the Company, was formally deregistered with the Australian Securities and Investments Commission (ASIC). The deregistration was completed prior to the fiscal year-end and has been reflected in the consolidated financial statements.

6. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

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	August 31, 2025	August 31, 2024
	\$	\$
Professional fees	745	-
Other	-	11,455
	745	11,455

7. INTANGIBLE ASSETS

The intangible assets are comprised of provisional patent applications and a patent cooperation treaty application. A summary of the Company's intangible assets is as follows:

	\$
Cost	
Balance, August 31, 2022	40,000
Addition	1,994,054
Balance, August 31, 2023	2,034,054
Addition	698,250
Impairment in 2024	(2,732,304)
Balance, August 31, 2024	-
Balance, August 31, 2025	-
Accumulated amortization	
Balance, August 31, 2022	10,222
Amortization	43,696
Balance, August 31, 2023	53,918
Amortization	84,709
Impairment	(138,627)
Balance, August 31, 2024	-
Balance, August 31, 2025	-
Carrying amount	
Balance, August 31, 2023	1,980,136
Balance, August 31, 2024	-
Balance, August 31, 2025	-

During the year ended August 31, 2025, amortization was \$Nil (2024 - \$84,709).

In accordance with the Company accounting policies for intangible assets, the Company is required to test for impairment annually for intangible assets and more frequently when there are indicators of impairment. Intangible assets with finite lives are tested for impairment when there are indicators of impairment. During the year ended August 31, 2024, there were indicators of impairment identified and as a result the Company compared the carrying amounts to the recoverable amounts for its intangible assets. As of August 31, 2024, the recoverable amounts for its investment in Altemia were less than the carrying amounts. Accordingly, the Company recorded an impairment loss of \$2,593,677.

8. CONVERTIBLE NOTES

A summary of the Company's convertible notes is as follows:

	\$
Balance, August 31, 2023	332,640
Convertible notes issued	1,794,102
Derivative liability	(562,742)
Interest	90,652
Accretion	95,993
Foreign exchange loss	(3,732)
August 31, 2024	1,746,913
Convertible notes issued	168,871
Convertible notes converted to common shares	(1,821,125)
Interest	272,748
Accretion	323,817
Settlement of convertible notes	(378,432)
Foreign exchange loss	(39,443)
August 31, 2025	273,349

March 14, 2024 convertible note

On March 14, 2024, the Company issued a convertible note to a private investor for gross proceeds of \$337,800 (US\$250,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the at the initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of \$156,940 was allocated to the liability component and \$179,455 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2025, the Company incurred accretion expense of \$50,967 (2024 - \$19,977) and interest expense of \$40,417 (2024 - \$17,127).

Effective August 22, 2025, the Company entered into an agreement with the holder of its convertible note to convert the outstanding balance into common shares.

June 17, 2024 convertible note

On June 17, 2024, the Company issued a convertible note to a private investor for gross proceeds of \$170,000 (US\$125,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the at the initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of \$85,097 was allocated to the liability component and \$84,903 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2025, the Company incurred accretion expense of \$25,483 (2024 - \$4,563) and interest expense of \$21,580 (2024 - \$3,700).

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Effective August 22, 2025, the Company entered into an agreement with the holder of its convertible note to convert the outstanding balance into common shares.

August 21, 2024 convertible note

On August 21, 2024, the Company issued a convertible note to a private investor for gross proceeds of \$170,650 (US\$125,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the at the initial public offering share price.

Upon the issuance of the convertible notes above, the Company measured the fair value of the conversion options using probability-weighted expected return method. The Company determined that the fair value of the conversion options at initial recognition was \$Nil. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity. These assumptions include an expected probability of an IPO on the debt issuance date being near 0% and that the foreign exchange rate would remain consistent over the life of the loan.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of \$89,349 was allocated to the liability component and \$81,301 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2025, the Company incurred accretion expense of \$25,483 (2024 - \$626) and interest expense of \$22,572 (2024 - \$62).

Effective August 22, 2025, the Company entered into an agreement with the holder of its convertible note to convert the outstanding balance into common shares.

December 12, 2024 convertible note

On December 12, 2024, the Company issued a convertible note to a private investor for gross proceeds of \$180,244 (US\$125,000). The convertible note bears interest at 10% per annum and matures on December 12, 2027. The note is convertible into common shares upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the initial public offering share price.

Upon the issuance of the convertible notes above, the Company measured the fair value of the conversion options using probability-weighted expected return method. The Company determined that the fair value of the conversion options at initial recognition was \$Nil. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity. These assumptions include an expected probability of an IPO on the debt issuance date being near 0% and that the foreign exchange rate would remain consistent over the life of the loan.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of \$83,496 was allocated to the liability component, and \$94,608 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2025, the Company incurred accretion expense of \$15,493 (2024 - \$Nil) and interest expense of \$13,328 (2024 - \$Nil).

Effective August 22, 2025, the Company entered into an agreement with the holder of its convertible note to convert the outstanding balance into common shares.

March 4, 2025 convertible note

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On March 4, 2025, the Company issued a convertible note to a private investor for gross proceeds of \$180,244 (US\$125,000). The convertible note bears interest at 10% per annum and matures on December 12, 2027. The note is convertible into common shares upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the initial public offering share price.

Upon the issuance of the convertible notes above, the Company measured the fair value of the conversion options using probability-weighted expected return method. The Company determined that the fair value of the conversion options at initial recognition was \$Nil. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity. These assumptions include an expected probability of an IPO on the debt issuance date being near 0% and that the foreign exchange rate would remain consistent over the life of the loan.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of \$85,375 was allocated to the liability component, and \$84,022 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the year ended August 31, 2025, the Company incurred accretion expense of \$17,053 (2024 - \$Nil) and interest expense of \$14,105 (2024 - \$Nil).

Effective August 22, 2025, the Company entered into an agreement with the holder of its convertible note to convert the outstanding balance into common shares.

AP Settlement Convertible Notes

On May 15, 2024, the Company issued convertible notes (the "AP Settlement Convertible Notes") to settle a total outstanding accounts payable amount of \$1,462,772 (US\$1,072,609). The AP Settlement Convertible Notes bear interest at 10% per annum and mature on May 15, 2027. The AP Settlement Convertible Notes are convertible upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the larger of \$0.024 or the initial public offering share price if applicable.

The fair value of the liability components of the AP Settlement Convertible Notes was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a total fair value of \$899,974 was allocated to their liability components, and \$562,742 was allocated to their derivative liability components, which represent their conversion features. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions as at May 15, 2024 (Aug 31, 2024): Stock price \$0.02 (\$0.02); exercise price \$0.024 (\$0.024); expected life 3 years (2.7 years); volatility 90% (105%); risk-free rate 4.05% (3.08%).

During the year ended August 31, 2025, the Company incurred accretion expense of \$189,339 (2024 - \$44,484) and interest expense of \$160,746 (2024 - \$49,014).

Effective August 22, 2025, the Company entered into an agreement with the two holders of its convertible note to convert the outstanding balance into common shares.

	\$
Balance, August 31, 2023	-
Derivative conversion features	562,742
Loss on change in fair value of derivative conversion feature	40,982
Balance, August 31, 2024	603,724
Loss on change in fair value of derivative conversion feature	370,412
Settlement of Conversion feature	(769,031)
Balance, August 31, 2025	205,105

9. SHARE CAPITAL AND RESERVES

a) Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares with no par value.

b) Issued

- On August 12, 2025, the Company issued 8,535,625 common shares to an investor through private placement with amount of \$345,530.
- On August 22, 2025, the Company issued 49,486,053 common shares to the convertible note holders for exercising conversion of convertible notes.
- On August 31, 2025, the Company issued 12,929,440 common shares to the Board of Directors to settle 2025's directors' fees of \$651,513.
- On May 13, 2025, the Company issued 546,206 common shares to a legal consulting company to settle accounts payable of \$11,877.
- On December 13, 2024, the Company issued 930,000 common shares to an officer and a former director of the Company to settle accounts payable of \$19,000.
- On February 4, 2025, the Company issued 9,413,333 common shares to officers and directors of the Company as share-based compensation in connection with a board compensation agreement to issue 28,000,000 common shares to directors over a 3 year period.
- On November 13, 2024, the Company issued 10,828,400 common shares to an officer and a consulting company owned by the Executive Chairman, to settle accounts payable of \$216,568.
- The Company recorded a gain for all debt settlements noted above of \$57,005.

The Company had the following share capital transactions during the year ended August 31, 2024.

- On March 4, 2024, the Company and Altermia Selling Members agreed on the achievement of all four milestones outlined in the amendment (Note 16). As a result of the milestones being achieved, and upon the request of one of the Altermia Selling Members, the Company issued 69,160,000 common shares. On April 30, 2024, the remaining 6,840,000 of the 76,000,000 total common shares were issued upon the request of the Altermia Selling Members. The aggregate of 76,000,000 common shares were issued for a fair value of \$2,660,000.
- On April 4, 2024, pursuant to a debt settlement agreement, the Company issued 16,424,220 common shares at a price of \$0.02 per share for a total fair value consideration of \$328,484 as settlement of \$318,782 in accounts payable to a related party for consulting services. The Company recorded a loss on debt settlement of \$9,702.

c) Share purchase warrants

A summary of the Company's share purchase warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, August 31, 2023	30,986,216	0.06
Issued	12,174,337	0.02
Expired	(270,083)	1.20
Balance, August 31, 2024	42,890,470	0.04
Expired	(1,900,000)	0.05
Balance, August 31, 2025	40,990,470	0.04

On May 15, 2024, the Company issued 12,174,337 share purchase warrants to officers and consultants in connection with the convertible notes that were issued on May 15, 2024 (Note 8).

A summary of the Company's outstanding share purchase warrants as at August 31, 2025 is as follows:

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Expiry Date	August 31, 2025	Exercise price	Weighted average remaining life
		\$	Years
September 8, 2025	27,982,800	0.05	0.02
May 15, 2027	12,174,337	0.02	1.70
June 16, 2027	833,333	0.05	1.79
Total	40,990,470	0.05	0.56

During the year ended August 31, 2025, no share-based compensation was recognized with respect to the vesting of share purchase warrants. During the year ended August 31, 2024, the Company recognized share-based compensation expense of \$166,994 (2023 - \$Nil), with respect to the vesting of share purchase warrants. The fair value of warrants was calculated using the Black-Scholes option pricing model (annualized volatility - 208%, expected life - 3.00 years, risk free rate - 4.03%, dividend yield - 0%).

d) Performance warrants

On May 18, 2018, the Company issued 776,000 non-transferable performance warrants (each a "Performance Warrant"). Each Performance Warrant is exercisable into one common share of the Company at an exercise price of \$2.10.

A summary of the Company's outstanding Performance Warrants as at August 31, 2025 is as follows:

Expiry Date	Number of performance warrants	Number of exercisable performance warrants	Weighted average exercise price	Weighted average remaining years
May 18, 2026	776,000	776,000	\$ 2.10	0.71
	776,000	776,000	\$ 2.10	0.71

During the year ended August 31, 2025, the Company recognized share-based compensation expense of \$Nil (2024 - \$Nil) in connection with the Performance Warrants.

e) Share purchase options

The Company has adopted a share purchase option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the share purchase options are determined by the Board of Directors. The cumulative available incentive awards to be issued under the share purchase option plan, restricted share unit plan (the "RSU Plan") and a deferred share unit plan (the "DSU Plan") will not exceed 30% of the aggregate issued and outstanding common shares of the Company, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of share purchase options granted under the Plan will not be lower than the exercise price permitted by the Canadian Securities Exchange, and all share purchase options granted under the Plan will have a maximum term permitted by the Canadian Securities Exchange.

A summary of the Company's share purchase options activity is as follows:

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	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2023	8,828,146	0.18
Expired	(425,003)	0.98
Forfeited	(400,000)	0.05
Balance, August 31, 2024	8,003,143	0.14
Granted	6,000,000	0.05
Expired	(125,000)	0.60
Cancelled	(5,878,143)	0.13
Balance, August 31, 2025	8,000,000	0.06

A summary of the Company's outstanding share purchase options as at August 31, 2025 is as follows:

Expiry date	Number of Options Outstanding	Number of Exercisable options	Exercise price	Weighted Average Remaining Years
May 23, 2026	500,000	166,668	0.18	0.73
June 13, 2026	500,000	200,000	0.05	0.78
June 30, 2026	500,000	500,000	0.05	0.83
July 25, 2026	500,000	200,000	0.06	0.90
July 15, 2027	6,000,000	1,500,000	0.05	1.87
	8,000,000	2,566,668	0.06	1.61

During the year ended August 31, 2025, the Company recognized share-based compensation expense of \$48,644 (2024 - \$69,395), with respect to the vesting of share purchase options. The fair value of options granted during the year was calculated using the Black-Scholes option pricing model (annualized volatility - 259%, expected life - 2.00 years, risk free rate - 2.8%, dividend yield - 0%). (2024 - annualized volatility - 171%, expected life - 3.00 years, risk free rate - 3.7%, dividend yield - 0%)

f) Restricted share unit plan and deferred share unit plan

On May 28, 2021, the Company adopted a restricted share unit plan (the "RSU Plan") and a deferred share unit plan (the "DSU Plan"). In addition, the Company increased the cumulative available incentive awards to be issued under the share purchase option plan, the RSU Plan and the DSU Plan to 15% of the aggregate issued and outstanding common shares of the Company.

A summary of the Company's RSU activity is as follows:

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	Number of RSUs	Weighted Average Issue Price
	#	\$
Balance, August 31, 2023	5,175,000	0.07
Granted	8,100,000	0.02
Forfeited	(2,243,750)	0.05
Balance, August 31, 2024	11,031,250	0.04
Forfeited	(2,543,749)	0.03
Granted	8,500,000	0.03
Expired	(270,834)	0.69
Balance, August 31, 2025	16,716,667	0.02
RSUs outstanding and exercisable	12,716,667	0.02

A summary of the Company's RSUs outstanding as at August 31, 2025 is as follows:

Grant Date	RSUs Outstanding	RSUs Vested and Issued	Exercise price	Remaining life
June 30, 2023	2,450,000	2,450,000	0.03	0.83
April 17, 2024	8,100,000	8,100,000	0.02	2.67
January 1, 2025	1,166,667	1,166,667	0.03	3.34
January 15, 2025	1,000,000	500,000	0.03	3.38
January 17, 2025	1,000,000	500,000	0.03	0.42
June 1, 2025	3,000,000	-	0.03	1.75
Total	16,716,667	12,716,667	0.02	2.37

During the year ended August 31, 2025, the Company recognized share-based compensation expense of \$87,983 (2024 - \$36,713), with respect to RSUs.

A summary of Company's DSU activity is as follows:

	Number of DSUs	Weighted Average Issue Price
	#	\$
Balance, August 31, 2023	1,240,004	0.07
Forfeited	(616,665)	0.06
Balance, August 31, 2024	623,339	0.08
Expired	(16,670)	0.69
Forfeited	(4,166)	0.42
Balance, August 31, 2025	602,503	0.06
DSUs outstanding and exercisable	602,503	0.06

A summary of the Company's DSUs outstanding as at August 31, 2025 is as follows:

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Grant Date	DSUs Outstanding February 28, 2025	DSUs Vested and Issued February 28, 2025	Exercise price	Remaining life
November 30, 2021	87,500	87,500	0.24	0.25
February 28, 2022	5,001	5,001	0.18	0.50
May 31, 2022	6,668	6,668	0.06	0.75
August 31, 2022	3,334	3,334	0.10	1.00
June 30, 2023	500,000	500,000	0.03	0.83
Total	602,503	602,503	0.06	0.74

During the year ended August 31, 2025, the Company recognized share-based compensation expense of \$(2,308) due to forfeiture (2024 - \$687), with respect to DSUs.

10. FINANCIAL RISK MANAGEMENT

The Company classifies and subsequently measures its cash, short-term investments, deposits (included in prepaid expenses and deposits), accounts payable and accrued liabilities and convertible notes at amortized cost.

The carrying amounts of cash, short-term investments, deposits (included in prepaid expenses and deposits), accounts payable and accrued liabilities and convertible notes approximate their respective fair values due to the short-term nature of these instruments or market rates used in their valuation.

The Company examines its various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. The risks may include credit risk, currency risk, liquidity risk and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so.

When deemed material, these risks may be monitored by the Company's finance group, and they are regularly discussed with the Board of Directors.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is predominantly related to cash and short-term investment balances held in financial institutions. The Company minimizes its credit risk related to cash and short-term investments ("Certificates of Deposit") by placing them with major financial institutions. The Company does not expect any credit losses on these balances. The Company periodically assesses the credit quality of its financial institutions and is satisfied with the credit ratings of its banks. The Company has deposits with vendors, included in prepaid expenses and deposits, made with vendors towards the completion of research and development activities and does not expect any credit losses.

10. FINANCIAL RISK MANAGEMENT (continued)

b) Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is exposed to foreign exchange risk from fluctuations in United States dollars and Australian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

A summary of the Company's financial assets and liabilities that are denominated in United States dollars, Euros and Australian dollars as at August 31, 2025 is as follows:

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	USD	EUR	AUD
	\$	\$	\$
Financial assets			
Cash	4,248,086	-	-
	4,248,086	-	-
Financial liabilities			
Accounts payable and accrued liabilities	832,106	17,817	20,833
Convertible notes	206,548	-	-
	1,038,654	17,817	20,833
Net financial liabilities	3,209,432	(17,817)	(20,833)

A 10% increase or decrease in the United States dollar, the Australian dollar, and the Euro against the Canadian dollar, would result in an impact on profit or loss of \$317,078.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities and convertible notes. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As at August 31, 2025, the Company had a cash balance of \$5,854,118 and current liabilities of \$2,461,926 (August 31, 2024 - \$237,772 and \$2,267,419, respectively). The Company's current cash resources are sufficient to settle its current liabilities for the next twelve months.

d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk since its financial instruments are not subject to variable interest rates.

11. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations including corporate and administrative functions to support operations. The Company obtains funding primarily through issuing common share. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

12. CYNAPTEC

On April 14, 2025, the Company completed a private placement financing through the private Delaware corporation Cynaptec Pharmaceuticals Inc. ("Cynaptec"), a newly formed clinical-stage biopharmaceutical entity in which Lobe retained majority ownership and control. As part of this transaction, Cynaptec issued 3,600,000 shares of Series A-1 Preferred Stock (the "Preferred Shares") for gross proceeds of US\$6,000,000.

In connection with the private placement, the investor holds an exclusive option to purchase up to an additional 10,000,000 preferred shares of Series A-2 Preferred Stock, \$0.01 par value per share (the "Series A-2 Preferred Stock" and, together with the Series A-1 Preferred Stock, the "Series A Preferred Stock") at a per additional share price (the "Series A-2 Price Per Share") that shall be determined by the Board of Directors based on a \$40,000,000 post-money valuation (on a fully diluted and as-converted basis).

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Balance at August 31, 2024	-
Recognition of NCI	2,968,272
NCI share of loss	(433,952)
Balance at August 31, 2025	2,534,320

As at August 13, 2025, summarized financial information about Cynaptec is as follows:

	31-Aug-25	31-Aug-24
Current assets	7,086,982	-
Non-current assets	-	-
Current liabilities	- 47,204	-
Non-current liabilities	-	-
Loss for the year ended August 31, 2025	1,205,422	-

Immediately following the private placement, Lobe Sciences owns 64% of the issued and outstanding shares of capital stock of Cynaptec. The aforementioned option is exercisable by the investor within 120 days following (i) Cynaptec's completion of preclinical and Phase 1 Single Ascending Dose ("SAD") programs, as well as a Proof of Concept study ("POC") to determine if Conjugated Psilocin™ impacts headache frequency, intensity or duration; and (ii) the investor's receipt of final study reports for the SAD programs and the POC for Chronic Cluster Headaches and the investigational new drug enabling studies.

13. RELATED PARTY TRANSACTIONS

Key management personnel include those who have the authority and responsibility of planning, directing and executing the activities of the Company. Key management includes directors of the Company, Chief Executive Officer, Executive Chairman, Chief Financial Officer, Chief Science Officer, Chief Operating Officer, Regulatory advisor and former Executive Chairman. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

A summary of the Company's related party transactions is as follows:

	Year Ended August 31,	
	2025	2024
	\$	\$
Consulting fees	1,357,018	778,918
Directors' fees included in consulting fees	651,513	121,500
Professional fees	169,284	79,800
Share-based compensation	418,056	149,057
	2,595,871	1,129,275

Professional fees included in the table above were charged by a company related to the Chief Financial Officer.

A summary of the Company's consulting fees, excluding directors' fees included in consulting fees, paid to related parties is as follows:

	Year Ended August 31,	
	2025	2024
	\$	\$
Chief Executive Officer Executive Chairman	439,713	-
Former Chief Executive Officer Executive Chairman	-	218,049
Clearway Consulting Fee	228,865	256,733

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Altemia Chief Executive Officer	377,650	-
Chief Financial Officer	33,000	-
Chief Science Officer	26,526	149,002
Former President	68,011	-
Former Chief Operating Officer	-	155,134
Regulatory advisor	183,253	-
	1,357,018	778,918

A summary of amounts due to related parties contained within accounts payable and accrued liabilities is as follows:

	Year Ended August 31,	
	2025	2024
	\$	\$
Chief Executive Officer for consulting fees	381,148	-
Former Chief Executive Officer for consulting fees	60,537	60,532
Former Chief Operating Officer for consulting fees	13,652	13,652
Chief Science Officer for consulting fees	5,153	2,068
Chief Financial Officer for consulting fees	11,550	-
Altemia Chief Executive Officer	377,650	-
Clearway Global LLC	257,675	229,285
Managerial and Regulatory Advisor for consulting fees	189,970	-
Quality Chemical Laboratories LLC	6,715	-
Former Chief Financial Officer for professional fees	-	14,700
Former Directors	-	15,000
Former President	19,057	-
	1,323,106	335,237

On August 31, 2025, the Company issued 12,929,440 common shares to members of the Board of Directors in settlement of \$651,513 in Board of Directors fees outstanding (Note 9).

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended August 31, 2025 and 2024, is as follows:

	2025	2024
Loss for the year	(4,861,611)	(4,387,727)
Income tax expense (recovery) at statutory rates	(1,313,000)	(1,185,000)
Non-deductible expenditures and non-taxable revenues	75,000	800,000
Change in statutory, foreign tax, foreign exchange rates and other	67,000	(1,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	181,000	73,000
Change in unrecognized deferred tax assets	990,000	346,000
	-	33,000

The significant components of the Company's deferred tax assets and liabilities are as follows:

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	2025	2024
Deferred tax assets (liabilities)		
Share Issuance Costs and Financing Fees	29,000	52,000
Allowable Capital losses	132,000	132,000
Non-Capital losses	6,911,000	5,152,000
Intangible assets	19,000	687,000
Mineral resource properties	33,000	33,000
Investment in Krysalis	142,000	142,000
Convertible Notes Payable	(46,000)	31,000
Net deferred tax asset	7,220,000	6,229,000

As at August 31, 2025, the Company has approximately \$24,360,000 of Canadian non-capital income tax losses (unrecognized) which will expire over 2039 through 2045 and \$Nil of Australian non-capital income tax losses (unrecognized) which do not have an expiration date.

15. SEGMENTED INFORMATION

The Company operates in one reportable segment being the biopharmaceutical development of new medicines. All the Company's non-current assets are located in Canada

16. ALTEMIA ACQUISITION

On April 17, 2023, the Company completed the acquisition of 100% of the ownership interest in Altemia. Pursuant to a share exchange agreement, the registered and beneficial owners of all of the issued and outstanding securities of Altemia ("Selling Members") received an aggregate of 76,000,000 common shares of the Company (the "Consideration Shares"). The Consideration Shares were subject to certain restrictions on transfer.

In addition, contingent upon Altemia achieving \$20,000,000 in cumulative sales, the Company will issue 3,000,000 warrants with an exercise price of \$0.05 and a term of three years from issuance ("Contingent Warrants").

On August 30, 2023, the Company signed an amendment to its April 17, 2023 share purchase agreement to acquire a 100% interest in Altemia ("Amendment"). Pursuant to the Amendment, the 76,000,000 common shares of the Company (each a "Lobe Share") previously issued to the Selling Members were returned and cancelled by Lobe pursuant a share cancellation agreement.

Pursuant to the Amendment, the 76,000,000 Lobe Shares will be reissued upon the later of:

- Achievement of the following milestones:
 - a. 25% on or after the Amendment closing date;
 - b. 25% on delivery of inventory to a Lobe designated storage facility;
 - c. 25% on the first commercial sale allowing the trademark validation; and
 - d. 25% on successful completion transfer documentation and sample delivery to Lobe.
- Within ten days of Selling Members providing Lobe a written notice to release some or all of the then available shares with respect to which the applicable Milestone has been met. Each Altemia member may in such notice designate one or more third parties to receive some or all of any such Lobe Shares then available for release.

On March 4, 2024, the Company and Altemia Selling Members agreed on the achievement of all four milestones outlined in the Amendment. As a result of the milestones being achieved, and upon the request of the Altemia Selling Members, the Company issued all 76,000,000 common shares (Note 9).

Altemia holds a licensing agreement which grants Altemia a worldwide, nontransferable, non-sublicensable, exclusive right to make, have made, use, offer to sell, sell, and import licensed products which utilize a patent used in the formulation of AltemiaTM over the life of the underlying patent which expires on March 11, 2041. Pursuant to the licensing agreement, Lobe will pay a tiered royalty on annual sales. In addition, the Company will pay 5% of the net sales revenue received for the sale of a pediatric priority review voucher for the approval of the SCD prescription drug for the pediatric orphan indication.

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At the acquisition date, Altemia did not meet the definition of a business as it meets the concentration test requirements in accordance with IFRS 3 Business Combinations and as such has been accounted for as an asset acquisition. The identifiable assets were recorded based on the total amounts of the fair value of the common shares on the closing date of acquisition and the fair value of the contingent warrants.

A summary of the Company's allocation of the purchase price to the fair values of acquired assets is as follows:

	\$
Consideration	
Fair value of 76,000,000 common shares to be issued ⁽¹⁾	1,961,750
Fair value of 3,000,000 Contingent Warrants ⁽²⁾	73,245
	<u>2,034,995</u>
Fair values of acquired assets	
Inventory deposit	40,941
Intangible asset (Note 7)	1,994,054
	<u>2,034,995</u>

(1) The fair value of the common share consideration was determined using the share price at the agreement date (April 17, 2023 - \$0.035) date and management's assessment of the milestone achievement probability. Probability of achieving milestone (a) and (b) are estimated to be 100%. Probability of achieving milestone (c) and (d) are estimated to be 95% and 30%, respectively.

(2) Assuming a 100% milestone probability and a discount factor of 7%, a fair value of \$73,245 was assigned to the warrants issued using the Black-Scholes option pricing model with the following inputs: a share price of \$0.03; an exercise price of \$0.05; an expected life of 3.00 years; a risk-free interest rate of 3.75%; an expected volatility of 141.06%; and an expected annual dividend yield of 0%.

The intangible asset is comprised of a patent cooperation treaty application.

17. SUBSEQUENT EVENTS

Effective September 1, 2025, a new director was appointed to the Company's Board of Directors.

In September 2025, the Company vested 500,000 restricted share units (RSUs) to a consultant, which were settled through the issuance of common shares via Direct Registration System (DRS).

In September 2025, a warrant holder exercised 1,000,000 warrants, resulting in the issuance of 1,000,000 common shares at an exercise price of \$0.05 per share.

In October 2025, the Company closed a settlement of US\$137,130 (\$191,884.32) in related party liabilities through the issuance of 3,837,686 common shares at a price of C\$0.05 per share. This transaction reflects a proactive approach to strengthening Lobe's balance sheet and preserving cash for strategic growth initiatives. The accounts payable being settled represent amounts owed to Clearway Global, LLC (the "Creditor").

Dissolution of Subsidiary in Progress

Subsequent to year-end, the Company initiated the dissolution process for Eleusian Biosciences Corp., a Canadian subsidiary. As of the date of these financial statements, the deregistration has not yet been completed. The Company will provide further disclosure upon finalization of the wind-down process.