

EUPRAXIA PHARMACEUTICALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2026

(Unaudited and Expressed in U.S. Dollars)

EUPRAXIA PHARMACEUTICALS INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars)

CONTENTS

CONSOLIDATED BALANCE SHEETS.....3

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS4

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY5

CONSOLIDATED STATEMENTS OF CASH FLOWS7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....8-28

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	\$ 58,500,024	\$ 80,563,482
Amounts receivable (Note 4)	663,235	674,226
Short-term investments (Note 5)	80,378,789	-
Prepaid expenses and deposits	2,583,022	3,860,842
Total current assets	142,125,070	85,098,550
Non-current assets		
Prepaid expenses	61,754	64,332
Property and equipment, net (Note 6)	1,161,560	834,429
Right-of-use asset, net (Note 7)	2,004,958	152,697
Total assets	\$ 145,353,342	\$ 86,150,008
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 7,158,879	\$ 5,549,553
Lease liability – current portion (Note 9)	203,510	78,452
Total current liabilities	7,362,389	5,628,005
Non-current liabilities		
Lease liability (Note 9)	1,803,292	75,910
Total liabilities	9,165,681	5,703,915
Shareholders' equity		
Preferred shares, without par value; unlimited shares authorized; issued and outstanding: 8,355,638 (December 31, 2025: 8,355,638 (Notes 11(c)))	29,738,321	29,738,321
Common shares, without par value; unlimited shares authorized; issued and outstanding: 61,808,630 (December 31, 2025 – 51,939,206 (Note 11(b)))	255,497,022	195,406,895
Additional paid-in capital (Notes 11(b), 11(d) and 11(e))	39,266,042	28,520,331
Deficit	(182,233,405)	(169,579,974)
Accumulated other comprehensive loss	(4,483,561)	(2,044,137)
Equity attributable to the owners of the Company	137,784,419	82,041,436
Non-controlling interest	(1,596,758)	(1,595,343)
Total shareholders' equity	136,187,661	80,446,093
Total liabilities and shareholders' equity	\$ 145,353,342	\$ 86,150,008

Nature of business and going concern (Note 1)
Commitments and Contingencies (Note 14)
Subsequent event (Note 18)

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Three Months ended March 31, 2026	Three Months ended March 31, 2025
Expenses		
General and administrative (Note 12)	\$ 4,783,089	\$ 3,274,394
Research and development (Note 13)	11,173,956	3,849,826
Total expenses	<u>15,957,045</u>	<u>7,124,220</u>
Other income/(expenses)		
Interest income	1,074,072	309,452
Loss on sale of equipment (Note 6)	-	(1,075)
Foreign exchange gain	2,242,032	51,362
Total other income	<u>3,316,104</u>	<u>359,739</u>
Loss before tax expense	(12,640,941)	(6,764,481)
Tax expense	<u>(13,905)</u>	<u>(2,794)</u>
Net loss for the period	<u>\$ (12,654,846)</u>	<u>\$ (6,767,275)</u>
Loss attributable to:		
Owners of the Company	\$ (12,653,431)	\$ (6,762,608)
Non-controlling interest	<u>(1,415)</u>	<u>(4,667)</u>
	(12,654,846)	(6,767,275)
Foreign currency translation adjustment	<u>(2,439,424)</u>	<u>38,164</u>
Comprehensive loss for the period	<u>\$ (15,094,270)</u>	<u>\$ (6,729,111)</u>
Loss per share – basic and diluted (Owners of the Company (Note 11(h)))	<u>\$ (0.23)</u>	<u>\$ (0.21)</u>
Weighted average shares outstanding – basic and diluted	<u>56,712,624</u>	<u>35,686,256</u>

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Preferred Shares	Amount	Common Shares	Amount	Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total- Shareholders' Equity
Balance, December 31, 2024	8,905,638	\$31,705,219	35,641,603	\$116,360,066	\$20,503,904	\$(131,003,831)	\$(4,160,555)	\$(1,565,834)	\$31,838,969
Share-based payments (Note 11(d))	-	-	-	-	1,493,407	-	-	-	1,493,407
Exercise of warrants (Notes 11(b)(i) and 11(e))	-	-	200,000	458,047	(41,641)	-	-	-	416,406
Exercise of options (Notes 11(b)(ii) and 11(d))	-	-	7,750	22,175	(8,658)	-	-	-	13,517
Net loss for the period	-	-	-	-	-	(6,762,608)	-	(4,667)	(6,767,275)
Foreign currency translation adjustment	-	-	-	-	-	-	38,164	-	38,164
Balance, March 31, 2025	8,905,638	\$31,705,219	35,849,353	\$116,840,288	\$21,947,012	\$(137,766,439)	\$(4,122,391)	\$(1,570,501)	\$27,033,188

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited and Expressed in U.S. Dollars, except share amounts)

	Preferred Shares	Amount	Common Shares	Amount	Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total- Shareholders' Equity
Balance, December 31, 2025	8,355,638	\$29,738,321	51,939,206	\$195,406,895	\$28,520,331	\$(169,579,974)	\$(2,044,137)	\$(1,595,343)	\$80,446,093
Issuance of common shares and pre- funded warrants, net of transaction costs (Note 11(b)(v) and 11(f))	-	-	7,607,145	49,364,657	9,270,238	-	-	-	58,634,895
Share-based payments (Note 11(d)(iii) and 11(d)(v))	-	-	-	-	2,252,856	-	-	-	2,252,856
Exercise of warrants (Notes 11(b)(iv) and 11(e))	-	-	2,226,279	10,535,670	(701,438)	-	-	-	9,834,232
Exercise of options (Notes 11(b)(iii) and 11(d)(iii))	-	-	36,000	189,800	(75,945)	-	-	-	113,855
Net loss for the period	-	-	-	-	-	(12,653,431)	-	(1,415)	(12,654,846)
Foreign currency translation adjustment	-	-	-	-	-	-	(2,439,424)	-	(2,439,424)
Balance, March 31, 2026	8,355,638	\$29,738,321	61,808,630	\$255,497,022	\$39,266,042	\$(182,233,405)	\$ (4,483,561)	\$(1,596,758)	\$136,187,661

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

EUPRAXIA PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and Expressed in U.S. Dollars)

	Three Months ended March 31, 2026	Three Months ended March 31, 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (12,654,846)	\$ (6,767,275)
Items not affecting cash		
Accrued interest on short-term investments	(378,988)	-
Depreciation (Note 6 and 7)	90,146	46,487
Interest – lease liability	12,059	1,187
Loss on sale of equipment (Note 6)	-	1,075
Share-based payments (Note 11(d))	2,252,856	1,493,407
Lease payments (Note 9)	(41,783)	(20,371)
Unrealized foreign exchange	(2,229,297)	(50,182)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	1,539,474	(894,360)
Prepaid expenses	1,239,668	195,636
Amounts receivable	23,964	(8,675)
Cash used in operating activities	(10,146,747)	(6,003,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment (Note 6)	(326,953)	(169,044)
Purchase of short-term investments (Note 5)	(79,724,564)	-
Cash used in investing activities	(80,051,517)	(169,044)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares and prefunded warrants(net of transaction costs) (Note 11(b)(v) and (11(f))	58,634,895	-
Exercise of warrants (Note 11(e))	9,834,232	416,406
Exercise of options (Note 11(d))	113,855	13,517
Cash provided by financing activities	68,582,982	429,923
Increase (decrease) in cash	(21,615,282)	(5,742,192)
Foreign exchange effect on cash	(448,176)	95,496
Cash and cash equivalents, beginning of period	80,563,482	33,101,294
Cash and cash equivalents, end of period	\$ 58,500,024	\$ 27,454,598

Supplemental disclosure with respect to cash flows (Note 17)

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

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

1. NATURE OF BUSINESS AND GOING CONCERN

Eupraxia Pharmaceuticals Inc. (the “Company”) was incorporated under the laws of the province of Alberta on May 12, 2011, under the name Plaza Capital Partners Inc. On May 11, 2012, the Company changed its name to Eupraxia Pharmaceuticals Inc. and continued from the province of Alberta to the province of British Columbia.

On October 10, 2012, Eupraxia Holdings, Inc. (“Holdings”) was incorporated under the laws of the State of Delaware, USA. On November 16, 2012, Holdings was registered as an extra-provincial corporation under the laws of the province of British Columbia, Canada. On October 10, 2012, Eupraxia Pharmaceuticals USA, LLC (“Eupraxia USA”) was incorporated under the laws of the State of Delaware. On November 16, 2012, Eupraxia USA was registered as an extra-provincial corporation under the laws of the province of British Columbia. On January 7, 2021, Eupraxia Pharma, Inc. (“Eupraxia Pharma”) was incorporated under the laws of the State of Delaware. On July 4, 2022, Eupraxia Pharmaceuticals Australia Pty Ltd. (“Eupraxia Australia”) was incorporated under the laws of the state of Victoria, Australia. On May 17, 2023, Eupraxia Pharma USA Inc. (“Eupraxia Pharma USA”) was incorporated under the laws of the State of Delaware.

On March 9, 2021, the Company completed its initial public offering on the Toronto Stock Exchange (“TSX”) and began trading under the symbol “EPRX”. On April 5, 2024, the Company began trading on the Nasdaq Capital Market under the symbol “EPRX”.

The Company is a clinical stage biotechnology company leveraging its proprietary Diffosphere™ technology to optimize drug delivery for applications with significant unmet medical need. The address of the Company’s corporate office and principal place of business is 2198 Yukon Street, Vancouver, British Columbia, Canada.

These consolidated financial statements of the Company have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. At March 31, 2026, the Company had cash and cash equivalents of \$58,500,024 as well as short-term investments of \$80,378,789. The Company has not yet generated revenue from operations. The Company incurred a net loss of \$12,654,846 during the three months ended March 31, 2026, and as of that date, the Company’s accumulated deficit was \$182,233,405. As the Company is in the research and development stage, the recoverability of the costs incurred to date is dependent upon the ability of the Company to obtain the necessary funding to complete the research and development of its projects and upon future commercialization or proceeds from the monetization of research activities.

The Company will periodically have to raise funds to continue operations and recently raised proceeds of approximately \$58.6 million (net of underwriting commissions and estimated expenses) through a public offering of 7,607,145 common shares of the Company and pre-funded warrants to purchase up to 1,428,571 common shares on February 20, 2026. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future, especially with the ongoing geopolitical uncertainty affecting the global capital markets. The Company is active in its pursuit of additional funding through potential partnering and other strategic activities as well as grants to fund future research and development activities, and additional equity financing.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional funding. There is a risk that in the future, additional financing will not be available on a timely basis or on terms acceptable to the Company.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). These unaudited interim consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, these consolidated financial statements do not include all the information and footnotes required for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2025 included in the Company’s 2025 40-F filed with the SEC and on SEDAR+ on March 13, 2026.

These unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. The results of operations for the three months ended March 31, 2026, and 2025 are not necessarily indicative of results that can be expected for a full year. These unaudited interim consolidated financial statements follow the same significant accounting policies as those described in the notes to the audited consolidated financial statements of the Company included in the Company’s 2025 Form 40-F for the year ended December 31, 2025.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

The unaudited interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. The unaudited interim consolidated financial statements are presented in U.S. dollars, which is the Company’s reporting currency. The Company’s functional currency is the Canadian dollar.

The preparation of unaudited interim consolidated financial statements in accordance with U.S. GAAP requires the Company to make estimates and judgments in certain circumstances that affect the reported amounts of assets, liabilities, expenses, and related disclosure. On an ongoing basis, the Company evaluates its estimates, most notably those related to accrual of expenses including clinical and preclinical study expense accruals, stock-based compensation and the valuation allowance for deferred taxes. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from these estimates.

Consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. The financial statements of subsidiaries are included in the unaudited interim consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All significant intercompany transactions and balances have been eliminated.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation* Disclosures (Subtopic 220-40). This standard requires public business entities to disclose, in the footnotes, a tabular disaggregation of certain expense captions into specific natural categories. The standard is effective for the Company’s annual reporting periods beginning after December 15, 2026 (fiscal year 2027). The Company does not intend to early adopt this guidance and is currently evaluating the impact that the adoption will have on its financial statement disclosures.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

4. AMOUNTS RECEIVABLE

	March 31, 2026	December 31, 2025
GST/HST recoverable	\$ 186,568	\$ 210,302
Other refundable tax credits ⁽¹⁾	476,667	463,924
Total	\$ 663,235	\$ 674,226

(1) Other refundable tax credits represent tax incentives for R&D costs incurred by Eupraxia Australia (Note 13 – Research and Development Expenses).

5. SHORT-TERM INVESTMENTS

As of March 31, 2026, the Company had short-term investments of \$80,378,789. The following table presents details of movement in the carrying value of the short-term investments:

	March 31, 2026	December 31, 2025
Balance, beginning	-	-
Additions	\$ 79,724,564	-
Interest income	378,988	-
Foreign Exchange	275,237	-
Balance, ending	\$ 80,378,789	-

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Computers	Office furniture and Equipment	Leasehold Improvements	Lab Equipment	Total
<u>Cost</u>					
As at January 1, 2025	79,237	60,369	118,359	559,618	817,583
Additions	82,254	12,715	3,535	516,752	615,256
Disposals	(3,860)	(3,817)	-	-	(7,677)
Foreign currency adjustments	4,190	3,108	5,932	40,204	53,434
As at December 31, 2025	161,821	72,375	127,826	1,116,574	1,478,596
Additions	2,115	34,003	14,809	356,478	407,405
Disposals	-	-	-	-	-
Foreign currency adjustments	(1,917)	(1,791)	(2,373)	(24,893)	(30,974)
As at March 31, 2026	162,019	104,587	140,262	1,448,159	1,855,027
<u>Accumulated Depreciation</u>					
As at January 1, 2025	56,180	46,260	114,177	243,073	459,690
Depreciation	33,606	3,404	5,205	122,189	164,404
Disposals	(3,556)	(1,559)	-	-	(5,115)
Foreign currency adjustments	2,454	2,351	5,798	14,585	25,188
As at December 31, 2025	88,684	50,456	125,180	379,847	644,167
Depreciation	8,308	1,706	1,712	48,454	60,180
Disposals	-	-	-	-	-
Foreign currency adjustments	(1,309)	(890)	(2,124)	(6,557)	(10,880)
As at March 31, 2026	95,683	51,272	124,768	421,744	693,467
<u>Net Book Value</u>					
As at December 31, 2025	\$ 73,137	\$ 21,919	\$ 2,646	\$ 736,727	\$ 834,429
As at March 31, 2026	\$ 66,336	\$ 53,315	\$ 15,494	\$ 1,026,415	\$ 1,161,560

During the three months ended March 31, 2026 and 2025, depreciation expense of \$60,180 and \$28,619, respectively, was recognized with \$4,750 included in general and administrative and \$55,430 included in research and development (\$1,804 and \$26,815 for general and administrative, and research and development in 2025, respectively).

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

7. RIGHT-OF-USE ASSET

On July 23, 2025, the Company extended the lease of the office space until November 30, 2026 (with the option to extend for an additional year). On February 28, 2026, the Company entered into a lease for office and laboratory space until February 28, 2031 with the option to extend for an additional five years. The following table presents details of movement in the carrying value of the right-of-use asset:

	March 31, 2026	December 31, 2025
Balance, beginning	\$ 152,697	\$ 67,023
Additions	1,923,945	158,508
Depreciation	(29,966)	(73,313)
Foreign exchange	(41,718)	479
Balance, ending	\$ 2,004,958	\$ 152,697

During the three months ended March 31, 2026 and 2025, depreciation expense of \$29,966 and \$17,868, respectively, was recognized with \$14,930 included in general and administrative and \$15,036 included in research and development (\$6,695 and \$11,173 for general and administrative, and research and development in 2025, respectively).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2026	December 31, 2025
Research and development	\$ 5,193,378	\$ 2,962,025
General and administrative	1,289,050	1,027,495
Wages and payroll remittances	208,000	40,171
Employee bonus payable	445,061	1,518,256
Taxes payable	23,390	1,606
Total	\$ 7,158,879	\$ 5,549,553

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

9. LEASE LIABILITY

The Company entered into an operating lease agreement for its Victoria, BC facility (of approximately 4,900 square feet of office space). As previously highlighted (Note 7 – Right-of-Use Asset), the Company extended the term of the lease for 12 months. The lease expires on November 30, 2026 with the option of the Company to extend the term for an additional 12 months which was considered in the determination of the right-of-use asset and lease liability. On April 10, 2026, the Company formally notified the landlord that it would not be renewing the lease for this property.

The Company entered into an operating lease agreement for its Vancouver, BC facility (approximately 3,199 square feet of office space and 6,684 square feet of laboratory space). The lease term is for 60 months, which expires on February 28, 2031. There is an option to extend the lease an additional 60 months.

The cost components of the operating lease were as follows for the periods ended March 31, 2026 and 2025:

	Three Months ended March 31, 2026	Three Months ended March 31, 2025
Lease Cost		
Operating lease expense	\$ 41,780	\$ 20,368
Variable lease expense	26,020	17,398
Lease term and Discount Rate		
Weighted average remaining lease term (years)	9.21	0.67
Weighted average discount rate	6.45%	9.02%

Variable lease costs are payments that vary because of changes in facts or circumstances and include common area maintenance and property taxes related to the premises. Variable lease costs are excluded from the calculation of minimum lease payments.

The Company's future minimum lease payments as of March 31, 2026 are as follows:

2026	244,202
2027	322,641
2028	250,642
2029	255,655
2030	260,792
2031	261,652
2032	261,652
2033	261,652
2034	261,652
2035	261,652
2036	43,609
Total undiscounted future minimum lease payments	\$ 2,685,801
Less: imputed interest	(678,999)
Present value of lease liabilities at March 31, 2026	\$ 2,006,802

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

9. LEASE LIABILITY (continued)

The lease liability balance is comprised as follows:

	March 31, 2026	December 31, 2025
Current portion	\$ 203,510	\$ 78,452
Non-current portion	1,803,292	75,910
	\$ 2,006,802	\$ 154,362

During the three months ended March 31, 2026, the Company subleased approximately 616 square feet office space with amounts totaling \$7,176 for the three months ended March 31, 2026 (\$6,833 – three months ended March 31, 2025) being recorded as a reduction to general and administrative and research and development expenses.

During the three months ended March 31, 2026, the Company subleased approximately 764 square feet laboratory space with amounts totaling \$2,781 for the three months ended March, 2025 (\$nil – three months ended March 31, 2025) being recorded as a reduction of to general and administrative expenses and to research and development expenses.

10. AURITEC LICENSE AGREEMENT

Eupraxia Pharmaceuticals USA LLC (“Eupraxia LLC”) entered into an amended and restated license agreement with Auritec Pharmaceuticals Inc. (“Auritec”) on October 9, 2018 (as further amended, the “Amended and Restated License Agreement”). Under the terms of the Amended and Restated License Agreement, Auritec has granted Eupraxia LLC an exclusive license (including the right to sublicense to its affiliates and third parties) under the licensed patents held by Auritec and for all the technical information and know-how relating to the technology claimed in the licensed patents held by Auritec with respect to the use of Auritec’s “Plexis Platform” for the delivery of fluticasone in all medical fields (except for otolaryngology and the prevention, treatment and control of all diseases, disorders and conditions of the eye and its adnexa (collectively, the “Excluded Fields”)), to develop, make, have made, manufacture, use, commercialize, sell, sub-license, offer for sale, import, and have imported products for the delivery of fluticasone drug products using the Plexis Platform in all medical fields except the Excluded Fields (“Licensed Products”).

Pursuant to the terms of the Amended and Restated License Agreement, Eupraxia USA LLC has paid \$5,000,000 to Auritec (the “Upfront Fee”). In addition, Eupraxia LLC has agreed to pay Auritec up to \$30,000,000 upon achievement of certain regulatory and commercial milestones related to products licensed under the Amended and Restated License Agreement (“Licensed Products”) as well as a royalty of 4% of net sales of Licensed Products by Eupraxia LLC or its affiliates, subject to certain reductions.

The following table summarizes the remaining milestone payment schedule. During the year ended December 31, 2024, the Company paid \$5,000,000 to Auritec upon successful completion of the Phase 2b study. No further milestones have been completed. The Company’s EP-104GI program would meet the definition of a Non-OA Indication as referenced in the Milestone Events below.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

10. AURITEC LICENSE AGREEMENT

Milestone Event	Milestone Payment
First OA Regulatory Approval	5,000,000
Second OA Regulatory Approval	5,000,000
Non-OA Indication Regulatory Approval	10,000,000
First calendar year in which aggregate Net Sales by Eupraxia USA, its affiliates and sublicenses exceed \$500,000,000	5,000,000
Maximum amount payable	\$25,000,000

Eupraxia LLC also agreed to pay to Auritec 20% of sublicensing royalties or other consideration based on net sales of Licensed Products. Eupraxia LLC further agreed to pay Auritec a percentage of Non-Royalty Monetization Revenue (as defined in the Amended and Restated License Agreement), which includes payments received for a sale of Eupraxia LLC or sale or sublicense of a Licensed Product, which percentage ranges from 10% to 30% depending on the development stage of the most-advanced Licensed Product, up to a maximum of \$100,000,000. The following table summarizes the Non-Royalty Monetization Revenue percentage schedule:

Date of Execution	Percentage of Non-Royalty Monetization Revenue
Prior to Successful Completion of a Phase 2b Study	30%
After Successful Completion of a Phase 2b Study but prior to Successful Completion of a Phase 3 Study	20%
After Successful Completion of a Phase 3 Study but prior to Regulatory Approval of a Product in the Eupraxia Field from FDA in the United States	15%
After Regulatory Approval of a Product in the Eupraxia Field from FDA in the United States	10%

Either party may terminate the Amended and Restated License Agreement in the event of the other party's bankruptcy, liquidation, or dissolution. Auritec may also terminate upon a material breach of the Amended and Restated License Agreement by Eupraxia LLC that is not cured within 60 days (15 days in the case of a payment breach). Further, if Eupraxia LLC directly or indirectly challenges any claim in any Auritec patent licensed under the Amended and Restated License Agreement, or assist a third party in doing so, Auritec may immediately terminate the Amended and Restated License Agreement. If Auritec directly or indirectly challenges any Eupraxia patent contemplated in the Amended and Restated License Agreement other than as reasonably required to defend Auritec patents as a basis for such challenge, or assists a third party in doing so, Eupraxia LLC may immediately terminate the Amended and Restated License Agreement.

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

- a) Authorized
- An unlimited number of Common shares, with no par value, with one vote per share.
 - An unlimited number of Preferred shares, with no par value.
- b) Issued (Common Shares)

Capital transactions (Common shares) which took place during the three months ended March 31, 2025, are as follows:

- i) During the three months ended March 31, 2025, 200,000 common shares were issued on the exercise of warrants for gross proceeds of \$416,406. The weighted average share price during the period in which these warrants were exercised was CDN\$6.06. On exercise, \$41,641 was transferred from additional paid-in capital to share capital.
- ii) During the three months ended March 31, 2025, 7,750 common shares were issued on the exercise of options for gross proceeds of \$13,517. The weighted average share price during the period in which these options were exercised was CDN\$4.91. On exercise, \$8,658 was transferred from additional paid-in capital to share capital.

Capital transactions (Common shares) which took place during the three months ended March 31, 2026, are as follows:

- iii) During the three months ended March 31, 2026, 36,000 common shares were issued on the exercise of options for gross proceeds of \$113,855. The weighted average share price during the period in which these options were exercised was CDN\$4.34. On exercise, \$75,945 was transferred from additional paid-in capital to share capital.
- iv) During the three months ended March 31, 2026, 2,226,279 common shares were issued on the exercise of warrants for gross proceeds of \$9,834,232. The weighted average share price during the period in which these warrants were exercised was CDN\$6.03. On exercise, \$701,438 was transferred from additional paid-in capital to share capital.
- v) On February 20, 2026, the Company closed an overnight marketed public offering (the "Offering"). Pursuant to the Offering, the Company issued 7,607,145 common shares at a price of \$7.00 and pre-funded warrants to purchase up to 1,428,571 common shares at price of price of \$6.99999 for total gross proceeds of \$63,249,998.

As consideration for the services rendered by the Underwriter in connection with the Offering, the Company paid the Underwriters a cash commission of \$3,795,001 which is equal to \$0.42 per share or pre-funded warrant issued under the Offering. An additional \$200,000 in legal and agents' expenses were also paid to the Underwriters. The Company incurred an additional \$620,102 in share issuance costs associated with the Offering.

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

c) Issued (Preferred Shares)

On October 31, 2024, the Company issued convertible preferred shares in a non-brokered private placement. Pursuant to the Convertible Preferred Share Offering, the Company issued 8,905,638 convertible preferred shares ("Preferred Shares") at a price of CDN\$5.00 for aggregate gross proceeds of \$31,997,837 (CDN\$44,528,190).

The Company paid \$242,116 (CDN\$336,928) in legal expenses and an additional \$50,502 (\$70,279) in listing fees were paid in association with the Preferred Share Offering. Each Preferred Share is convertible at the option of the holder at any time into one common share without additional consideration.

The Preferred Shares would also mandatorily convert into common shares on a one-to-one basis, without additional consideration, upon the earliest of: (i) the common shares of the Company trade at a price of \$15.00 per common share on the Toronto Stock Exchange or the Nasdaq Stock Market LLC based on an average daily trading volume of at least 50,000 common shares during the rolling six-month period, or (ii) the holders of the Preferred Shares representing 75% of the outstanding Preferred Shares vote or consent to convert all outstanding Preferred Shares, in the event a liquidating event such as an amalgamation, arrangement, merger, reorganization or similar transaction occurs, provided that the conversion ratio will not be adjusted unless the Company receives all necessary TSX and shareholder approvals.

The Preferred Shares have a redemption feature that is subject to the occurrence of certain events, all of which are in the control of the Company. Accordingly, the Preferred Shares are classified as permanent equity.

The Preferred Shares will not initially be entitled to any dividends. Following the third anniversary of closing of the Private Placement, and subject to shareholder approval, any unconverted Preferred Shares will be entitled to a quarterly dividend equal to 1.5% (6% annually) of the original issue price, payable in additional Preferred Shares (the "PIK Preferred Shares"). If shareholder approval for the PIK Preferred Shares is not obtained by the third anniversary of closing, the quarterly dividends will be paid in cash at a rate of 2% (8% annually). No dividends will be payable on Common Shares while any Preferred Shares remain issued and outstanding. The Preferred Shares were not issued at a discount, so the impact of this feature is limited to the amounts allocable to common shareholders in calculating earnings per share.

d) Omnibus Incentive Plan

The 2025 Omnibus Incentive Plan (the "Omnibus Plan"), initially approved by the Board of Directors on February 17, 2025 (later amended on April 25, 2025) was ratified by Shareholders on June 2, 2025. The Omnibus Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance awards, other stock-based awards and cash-based awards (each an "Award" and collectively, the "Awards") at the discretion of the Board of Directors. The number of Common Shares available for issuance under the Omnibus Plan is a rolling maximum number equal to 18.5% of the issued and outstanding Common Shares. The Omnibus Plan is considered to be an "evergreen" plan as Common Shares covered by Awards which have been exercised or settled, as applicable, will be available for subsequent grant under the Omnibus Plan and the number of Awards that may be granted under the Omnibus Plan increases if the total number of issued and outstanding Common Shares increases.

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

d) Omnibus Incentive Plan (continued)

i) Options

Options granted under the Omnibus Plan have lives of up to ten years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board. Unless otherwise determined by the Board, in its sole discretion, all grants of options will vest either immediately or over a three-year period, with the first twenty-five percent (25%) of the Options vesting on the date of grant, and the remaining options vesting over the following thirty-six-month period in three equal instalments on an annual basis.

ii) Option Re-Pricing

On April 25, 2025, the Board approved (with Shareholders ratifying on June 2, 2025) the repricing of certain options (granted to non-executive employees and non-directors) totaling 258,450 (vested and unvested) with exercise prices ranging from CDN\$6.75 to CDN\$8.00 were repriced to CDN\$5.05. All other terms of these stock option grants were unchanged. As a result of this repricing, the Company recognized additional share-based payments of \$120,082 during the year ended December 31, 2025.

iii) Outstanding Options

The following table summarizes the Company's option transactions:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Outstanding, December 31, 2024	5,307,870	\$ 5.50
Exercised	(186,340)	4.78
Cancelled	(763,375)	6.93
Expired	(238,750)	8.00
Granted	3,343,200	7.13
Outstanding, December 31, 2025	7,462,605	\$ 5.93
Exercised	(36,000)	4.43
Granted	121,350	9.44
Outstanding, March 31, 2026	7,547,955	\$ 6.00

Share-based payments for the three months ended March 31, 2026, was \$1,286,166 (2025 - \$1,493,407) (See Note 12 – General & Administrative Expenses and Note 13 – Research & Development Expenses for breakdown by function).

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

d) Omnibus Incentive Plan (continued)

iii) Outstanding Options (continued)

Grant Date	Options Outstanding⁽¹⁾	Options Exercisable	Exercise Price (CDN\$)	Expiry Date	Remaining Contractual Life (years)
Mar 5, 2018	293,500	293,500	\$8.00	Mar 5, 2028	1.93
Mar 5, 2018 ⁽²⁾	28,750	28,750	\$5.05	Mar 5, 2028	1.93
Mar 9, 2021	521,250	521,250	\$8.00	Mar. 9, 2031	4.94
Mar 9, 2021 ⁽²⁾	103,750	103,750	\$5.05	Mar. 9, 2031	4.94
May 3, 2021	257,000	257,000	\$8.00	May 3, 2031	5.09
Dec 9, 2021	60,000	60,000	\$2.02	Dec 9, 2031	5.70
Mar 31, 2022	330,990	330,990	\$1.90	Mar 31, 2032	6.01
Dec 9, 2022	674,300	674,300	\$3.85	Dec 9, 2032	6.70
May 18, 2023	180,000	135,000	\$6.84	May 18, 2033	7.14
May 30, 2023 ⁽²⁾	17,200	12,900	\$5.05	May 30, 2033	7.67
Sep 27, 2023 ⁽²⁾	60,000	45,000	\$5.05	Sep 27, 2033	7.50
May 13, 2024	1,391,665	889,600	\$3.96	May 13, 2034	8.12
May 28, 2024	50,000	50,000	\$3.82	May 28, 2034	8.16
Aug 9, 2024	70,000	45,000	\$3.48	Aug 9, 2034	8.36
Dec 10, 2024	90,000	90,000	\$4.66	Dec 10, 2034	8.70
Mar 25, 2025	1,108,500	712,500	\$5.14	Mar 25, 2035	8.99
May 13, 2025	311,250	213,750	\$5.42	May 13, 2035	9.12
Dec 15, 2025	1,878,450	557,738	\$8.63	Dec 15, 2035	9.72
Mar 27, 2026	121,350	30,337	\$9.44	Mar 27, 2036	10.00
	7,547,955	5,051,365	\$6.00		7.09

(1) Options granted prior to June 2, 2025 were granted under the Company's former Employee Stock Option Plan ("ESOP") which was replaced by Omnibus Incentive Plan.

(2) Options were repriced to \$5.05 effective June 2, 2025 (see Note 11(d)(ii) above for further details).

As of March 31, 2026, the unrecognized stock-based compensation expense related to the non-vested stock options was \$5,597,918, which is expected to be recognized over a weighted-average period of 2.57 years.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

d) Omnibus Incentive Plan(continued)

iii) Outstanding Options (continued)

The share-based compensation expense was determined based on the fair value of options at the date of measurement using the Black-Scholes option pricing model with the following weighted-average assumptions:

Options granted during the year ended	March 31, 2026	March 31, 2025
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Weighted average annual volatility	67.85%	72.33%
Weighted average risk-free interest rate	3.18%	2.76%
Weighted average expected option life	5.75 years	5.54 years
Weighted average share price (CDN\$)	\$9.44	\$5.14
Weighted average exercise price (CDN\$)	\$9.44	\$5.14
Weighted average fair value of options granted (CDN\$)	\$4.27	\$2.53

iv) Restricted Share Units

Restricted share units (“RSU”) granted under the Omnibus Plan have lives of up to ten years from the date of grant. The vesting schedule of all granted is determined at the discretion of the Board. Unless otherwise determined by the Board, in its sole discretion, all grants of RSU will vest immediately or over a three-year period, with the first twenty-five percent (25%) of the RSU vesting on the date of grant, and the remaining RSU vesting over the following three-year period in three equal instalments on an annual basis. Vesting of RSU is subject to continued service on each vesting date. Upon vesting, each RSU entitles the holder to receive one common share.

v) Outstanding Restricted Share Units

The following table summarizes the Company’s RSU transactions:

	Number of RSUs	Weighted Average Grant Date Fair Value (CDN\$)
Outstanding, December 31, 2024	-	-
Granted	1,254,600	8.64
Settled	(45,000)	8.78
Outstanding, December 31, 2025	1,209,600	\$ 8.63
Granted	44,150	9.44
Outstanding, March 31, 2026	1,253,750	\$ 8.66

Share-based payments for the three months ended March 31, 2026, were \$966,690 (2025 - \$nil) (See Note 12 – General & Administrative Expenses and Note 13 – Research & Development Expenses for breakdown by function).

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

d) Omnibus Incentive Plan (continued)

v) Outstanding Restricted Share Units (continued)

The following table summarizes the Company's RSU transactions:

Grant Date	RSUs Outstanding	RSUs Redeemable	Weighted Average Grant Date Fair Value (CDN\$)
Dec 15, 2025	1,209,600	797,400	\$8.63
Mar 27, 2026	44,150	11,030	\$9.44
	1,253,750	808,430	\$8.66

As of March 31, 2026, the unrecognized stock-based compensation expense related to the non-restricted share units was \$2,318,280 which is expected to be recognized over a weighted-average period of 2.74 years.

e) Warrants

The following table summarizes the Company's warrant transactions:

	Number of warrants	Weighted average exercise price (CDN\$)
Outstanding December 31, 2024	8,807,977	\$ 5.48
Exercised	(879,900)	2.46
Granted	100,500	0.75
Outstanding December 31, 2025	8,028,577	5.75
Exercised	(2,226,279)	6.03
Expired	(2,002,474)	3.00
Outstanding March 31, 2026	3,799,824	2.71

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

e) Warrants (continued)

As at December 31, 2025, the following warrants were outstanding:

Expiry date	Exercise price (CDN\$)	Remaining contractual life (years)	Warrants outstanding and exercisable
120 days after holder to be a Director/ Officer or consultant	\$ 0.7572	N/A	243,421
120 days after former spouse ceases to be a Director/ Officer or consultant	0.7572	N/A	137,500
120 days after holder ceases to be a Director/ Officer or consultant ⁽¹⁾	0.4984	N/A	215,000
April 20, 2026	3.00	0.06	3,114,621
April 20, 2026	2.05	0.06	50,054
April 29, 2026	11.20	0.08	39,228
	\$ 2.71		3,799,824

(1) Represents warrants to acquire 215,000 units consisting of one Common Share and one additional warrant at an exercise price of \$0.75CDN. These underlying warrants expire two years from the date of exercise of the primary warrant.

f) Pre-funded Warrants

On February 20, 2026, the Company issued pre-funded warrants as part of the Offering. The following table summarizes the pre-funded warrant activity for the period ended March 31, 2026:

Outstanding December 31, 2025	-
Issued	1,428,571
Outstanding March 31, 2026	1,428,571

Each pre-funded warrant is exercisable for the purchase of one common share at the holder's discretion at an exercise price of \$0.00001, subject to certain post-exercise beneficial ownership limitations as provided under the terms of the pre-funded warrant. Since the pre-funded warrants meet the condition for equity classification, proceeds from issuances of the pre-funded warrants for the three months ended March 31, 2026, of \$9,270,238, net of underwriting commissions and offering expenses, are recorded in additional paid-in capital. Upon exercise of the pre-funded warrants, the historical costs recorded in additional paid-in capital along with the exercise price collected from the holder are recorded in common shares. To date, none of the pre-funded warrants have been exercised. The issued pre-funded warrants are included in the basic earnings per share calculation given that the exercise price of \$0.00001 is nominal.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

11. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

g) Class B Non-Voting shares

On January 31, 2021, the Company entered into a contribution agreement with the Chief Scientific Officer of the Company, and certain of the Company’s subsidiaries (the “Contribution Agreement”). Pursuant to the Contribution Agreement, the Company acquired AMDM Holdings Inc., a corporation wholly-owned by the Chief Scientific Officer, which held 5% of the equity interest in the Company’s subsidiary, Eupraxia USA. In exchange, the Company issued to the Chief Scientific Officer 225 non-voting Class B shares (the “Class B Shares”) in Eupraxia Pharma Inc. representing 5% of the outstanding securities of Eupraxia Pharma. The Company holds the remaining 95% of such securities, which consists of 4,275 voting Class A shares.

Each Class B Share is exchangeable into common shares of the Company based on an exchange rate of 2,500 common shares for each Class B Share, subject to adjustments upon the occurrence of certain events, for a total of 562,500 common shares. The Class B Shares are exchangeable by the Chief Scientific Officer at her election, provided that the Company may force the exchange of the Class B Shares into common shares of the Company at any time on or after January 31, 2031, or on or after January 31, 2026, if the Company is listed on a stock exchange and is a reporting issuer in Canada at such time. The Company may also force the exchange of the Class B Shares into common shares if there is a change of control transaction involving the Company, a change in law which makes the exchange necessary or desirable or if there are a *de minimis* number of Class B Shares outstanding. If the Company is listed on a stock exchange at the time of the applicable exchange, the Company may elect to pay the Chief Scientific Officer cash in lieu of issuing common shares, with such cash amount to be determined based on the then current market price of the common shares of the Company.

h) Earnings (loss) per Share

The Company reported net losses for each of the three months ended March 31, 2026 and 2025, and therefore excluded all potentially dilutive outstanding securities (warrants, stock options and RSU) from the computation of diluted net loss per common share as their inclusion would have had an anti-dilutive effect. The pre-funded warrants are included from the computation of diluted net loss per common share. As a result of the Preferred Shares being classified as increasing rate preferred stock with dividends not being declared until the third anniversary of closing of the Private Placement, the Company has calculated an implied dividend in determining the loss attributable to common shareholders. The impact on loss per share on the Consolidated Statements of Operations and Comprehensive Loss is as follows:

Three Months ended March 31,	2026	2025
Loss attributable to the Owners of the Company	\$ (12,629,888)	\$ (6,762,608)
Less: implied dividend on Preferred Shares	603,574	620,515
Adjusted Loss attributable to the Owners of the Company	(13,233,462)	(7,383,123)
Weighted average shares outstanding - basic and diluted	56,093,577	35,686,256
Weighted average pre-funded warrants outstanding	619,047	-
	56,712,624	35,686,256
Loss per Share - Basic and Diluted (Owners of the Company)	\$ (0.23)	\$ (0.21)

EUPRAXIA PHARMACEUTICALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026 and 2025

(Unaudited and Expressed in U.S. Dollars, except share amounts)

12. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

Three Months ended March 31,	2026	2025
Office expenses	\$ 677,089	\$ 240,116
Insurance	242,349	261,223
Travel	127,510	77,574
Professional fees	574,726	447,450
Public company costs	317,986	411,067
Salaries and benefits	1,534,877	709,931
Share based payments (Note 11(d)(iii) and 11(d)(v))	1,308,552	1,127,033
Total expenses during the period	4,783,089	\$ 3,274,394

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are comprised of the following:

Three Months ended March 31,	2026	2025
Preclinical	\$ 490,387	\$ 231,277
Clinical	4,106,646	704,085
Manufacturing & analytical	3,313,805	1,312,645
Regulatory	15,327	2,182
Direct research and development	7,926,165	2,250,189
Pipeline Development	-	932
Other research and development	738,836	283,055
Salaries and benefits	1,564,651	949,276
Share based payments (Note 11d(iii) and 11d(v))	944,304	366,374
Total expenses during the period	\$ 11,173,956	\$ 3,849,826

14. COMMITMENTS AND CONTINGENCIES

- i. As outlined in Note 9 – Lease Liability, the Company had entered into a lease extension on May 13, 2024. On July 15, 2025, a second lease extension was signed whereby the Company renewed its lease for its Victoria, BC facility for an additional twelve months commencing December 1, 2025 and ending November 30, 2026. The total variable lease expenses for the remaining term of the lease is anticipated to be \$47,768. This amount is subject to adjustment at the end of each lease year based on actual costs incurred and does not reflect the impact of the additional twelve-month renewal that would commence December 1, 2026.

In addition, the Company entered into a lease agreement on February 2, 2026. The lease is 5-year term agreement with the option to extend the lease for an additional 5-year term. The total variable lease expenses for the current term is estimated to be \$453,841. This amount is subject to adjustment at the end of each lease year base on actual costs incurred and does not reflect the impact of the additional 60-month extension option.

EUPRAXIA PHARMACEUTICALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026 and 2025

(Unaudited and Expressed in U.S. Dollars, except share amounts)

14. COMMITMENTS AND CONTINGENCIES (continued)

- ii. The Company may be required to make milestone, royalty, and other research and development funding payments under agreements with third parties (see Note 10 – Auritec License Agreement). These payments are contingent upon the achievement of specific development, regulatory and/or commercial milestones. The Company has not accrued these payments as at March 31, 2026 due to the uncertainty over whether these milestones will be achieved.
- iii. Eupraxia has entered into a number of service contracts with its vendors. Some of those contracts have cancellation clauses which state Eupraxia would pay a cancellation fee of between 15% and 100% of the next service milestone if it terminates the contract. As of March 31, 2026, there have been no cancellation of contracts that would trigger a cancellation fee.
- iv. The Company has entered into service agreements with third parties that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party claims or damages arising from these transactions.

The maximum amount of potential future indemnification is unlimited; however, the Company currently holds commercial general liability insurance. This insurance limits the Company's exposure and may enable it to recover a portion of any future amounts paid. Historically, the Company has not made any indemnification payments under such agreements and the Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

15. SEGMENTED INFORMATION

The Company operates as a single reportable segment with the CODM being the Company's Chief Executive Officer who manages the Company's operations on a consolidated basis. The accounting policies of the segment are the same as those described in the summary of significant accounting policies.

As the Company does not currently generate revenue, the CODM assesses Company performance through the achievement of pre-clinical and clinical research goals while evaluating the Company's performance and allocates resources to the operations of the Company on a total company basis. This enables the CEO to assess the overall level of resources available and how to best deploy these resources.

The CODM uses net loss to monitor budget versus actual results and to analyze cash flows in assessing performance of the segment and allocating resources. The measure of segment assets is reported on the consolidated balance sheet as total consolidated assets, with a majority of these assets located in Canada.

EUPRAXIA PHARMACEUTICALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 and 2025
(Unaudited and Expressed in U.S. Dollars, except share amounts)

15. SEGMENTED INFORMATION (continued)

The following table presents information about significant segment expenses and segment loss:

Three Months ended March 31,	2026	2025
Direct external research and development costs		
EP-104IAR	\$ 5,584	\$ 9,764
EP-104GI	7,430,194	1,982,822
Pre-clinical	490,387	258,536
Salaries and benefits	3,099,528	1,659,207
Share based payments	2,252,856	1,493,407
Other Research and Development expenses	738,836	283,054
Other General and Administrative expenses	1,939,660	1,437,430
Total segment expenses	15,957,045	7,124,220
Reconciling items:		
Interest income	1,074,072	309,452
Gain (loss) on sale of equipment	-	(1,075)
Foreign exchange gain (loss)	2,242,032	51,362
Tax expense	(13,905)	(2,794)
Net loss for the period	\$ (12,654,846)	\$(6,767,275)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities. There were no changes to the Company's risk exposures or management of risks during the three months ended March 31, 2026. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company believes it has no significant credit risk, as its cash and cash equivalents and short-term investments, being its primary exposure to credit risk, are held with a large Canadian bank. The Company's maximum exposure to credit risk is the carrying value of these financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to the extent possible to meet liabilities when due. As at March 31, 2026, the Company had cash and cash equivalents of \$58,500,024 (2025 - \$80,563,482) and short-term investments of \$80,378,789 (2025 - \$nil) in addition to current liabilities of \$7,362,389 (2025 - \$5,628,005). Management continuously considers certain strategic alternatives including, but not limited to, raising additional capital. These decisions are always made in consideration of the needs of the business, and in conjunction with the potential impact on shareholder dilution.

There is no assurance, however, that any or all of these alternatives will materialize or that additional funding will be available, if and when needed.

16. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of March 31, 2026, the Company had cash and cash equivalents of \$58,500,024 and short-term investments of \$80,378,789 which are held in term deposits, and bank accounts. Interest rate risk is affected by changes in the general level of interest rates, particularly because the majority of the Company's investments are short-term in nature. Due to the short-term duration the cash and cash equivalent holdings and short-term investments, a 10% change in interest rates would not have a material effect on the fair market value of cash, cash equivalents and short-term investments. Since the Company also has the ability to hold the cash equivalents and short-term investments until maturity, it would not expect the Company's operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk due to its frequency of transactions in US dollars and Australian dollars. The Company does not use derivatives to hedge against this risk, however, it does purchase US dollars to cover anticipated costs that will be denominated in US dollars.

At March 31, 2026, the Company held cash and cash equivalents of \$47,403,396 (2025 – \$77,988,544), short-term investments of \$80,378,789 (2025 - \$nil) and had accounts payable and accrued liabilities of \$4,440,839 (2025 – \$942,201) denominated in US dollars which were translated to Canadian dollars at 1.3939 (2025 – 1.3706). The impact of a 10% change in the exchange rates would have an impact of approximately \$12,334,135 (2025 – \$7,704,614) on profit or loss. The Company held cash of \$613,974 (2025 - \$1,449,522), accounts payable and accrued liabilities of \$820,421 (2025 - \$779,455) and had \$773,042 in amounts receivable (2025 - \$716,095) denominated in Australian Dollars which were translated into Canadian Dollars at 0.9558 (2025 – 0.9147). The impact of a 10% change in the exchange rate would have an impact of approximately \$38,852 (2025 - \$92,509) on profit or loss. The Company also has accounts payable in Euros. The impact of a 10% change in the exchanges of the Euro would have an immaterial effect on future cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant price risk with respect to commodity or equity prices.

Fair Value Measurement

The Company categorizes its financial instruments measured at fair value into one of three different levels depending on the observation of inputs used in the measurement.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets

Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs

EUPRAXIA PHARMACEUTICALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026 and 2025

(Unaudited and Expressed in U.S. Dollars, except share amounts)

16. FINANCIAL INSTRUMENTS (continued)

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities. The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities.

The following table summarizes information regarding the classification and carrying values of the Company's financial instruments measured at amortized cost:

Financial assets/liabilities	March 31, 2026	December 31, 2025
Cash and cash equivalents	\$ 58,500,024	\$ 80,563,482
Short-term investments	\$ 80,378,789	-
Amounts receivable	\$ 663,235	\$ 674,226
Accounts payable and accrued liabilities	\$ 7,158,879	\$ 5,549,553

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company paid interest of \$nil during three months ended March 31, 2026 (2025 - \$nil).

The Company received interest of \$528,120 during three months ended March 31, 2026 (2025 - \$308,188).

The Company had the following non-cash transactions for the three months ended March 31, 2026:

- Entered into a lease for its Vancouver, BC lab and office space and recognized \$1,923,945 in right-of-use asset and lease liability (see Note 7 – ROU Asset).
- Purchased \$80,452 of lab equipment which was not paid until subsequent to March 31, 2026.

The Company did not have any non-cash transactions for three months ended March 31, 2025.

18. SUBSEQUENT EVENT

Subsequent to March 31, 2026 a total of 3,113,775 warrants with an exercise price of CDN\$3.00 were exercised for proceeds of \$6,758,283 (on exercise, \$716,249 was transferred from additional paid-in capital to share capital). The remaining 846 warrants that remained unexercised expired on April 20, 2026.