PHARMALA BIOTECH HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS -

QUARTERLY HIGHLIGHTS

THREE MONTHS ENDED NOVEMBER 30, 2024

(EXPRESSED IN CANADIAN DOLLARS)

PharmAla Biotech Holdings Inc.
Management's Discussion and Analysis
Three Months Ended November 30, 2024
Dated - January 27, 2025

INTRODUCTION

PharmAla Biotech Inc. ("PharmAla") was incorporated under the Business Corporations Act (British Columbia) on December 23, 2020. The registered head office of the Company is 1055 West Georgia Street P.O. Box 11117, Vancouver, BC V6E 4N7, Canada.

PharmAla Biotech Holdings Inc. (previously Greenridez 3.0 Acquisitions Corp.) ("Holdings Inc.") was incorporated under the Business Corporations Act (British Columbia) on January 12, 2021.

PharmAla is a Canadian Biotechnology company dedicated to the development, manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community, and growing commercial use cases in select jurisdictions.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. On January 11, 2022, the Company's shares were listed on the Canadian Securities Exchange ("CSE") under the symbol "MDMA". On December 17, 2024, the Company completed its continuance from the Province of British Columbia governed under the Business Corporations Act (British Columbia) into the Province of Ontario governed under the Business Corporations Act (Ontario).

The Canadian Dollar is the Company's functional and reporting currency. Unless otherwise noted, all dollar amounts are expressed in Canadian Dollars.

The following Interim Management's Discussion and Analysis ("Interim MD&A") of the Company for the three months ended November 30, 2024 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the year ended August 31, 2024. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1 of National Instrument 51102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's annual consolidated financial statements, together with the notes thereto, and Annual MD&A for the year ended August 31, 2024. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated Interim financial statements for the three months ended November 30, 2024, and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed Interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of January 27, 2025, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of the Company (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of PharmAla's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Interim MD&A contains forward-looking information and statements ("forward-looking statements") which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Forward-looking statements reflect the current expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the actual results, performance or events to be materially different from any future results, performance or events that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Interim MD&A. Although the Company has attempted to identify important factors that could cause actual results, performance or events to differ materially from those described in the forward-looking statements, there could be other factors unknown to management or which management believes are immaterial that could cause actual results, performance or events to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or events may vary materially from those expressed or implied by the forward-looking statements contained in this Interim MD&A. These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Forward-looking statements contained herein are made as of the date of this Interim MD&A and the Company assumes no responsibility to update forward looking statements, whether as a result of new information or otherwise, other than as may be required by applicable securities laws.

Forward-looking statements	Assumptions	Risk factors
The Company's (i) development of product candidates, (ii) demonstration of such product candidates' safety and efficacy in clinical trials, and (iii) obtaining regulatory approval to commercialize these product candidates.	Financing will be available for development of new product candidates and conducting clinical studies; the actual results of the clinical trials will be favourable; development costs will not exceed PharmAla's expectations; the Company will be able to retain and attract skilled staff; the Company will be able to recruit suitable patients for clinical trials; all requisite regulatory and governmental approvals to commercialize the product candidates will be received on a timely basis upon terms acceptable to PharmAla; applicable economic conditions are favourable to PharmAla.	Availability of financing in the amount and time frame needed for the development and clinical trials may not be favourable; increases in costs; uncertainties of COVID-19 pandemic; the Company's ability to retain and attract skilled staff; the Company's ability to recruit suitable patients for clinical trials; timely and favourable regulatory and governmental compliance, acceptances, and approvals; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to obtain the substantial capital it requires to fund research and operations.	Financing will be available for PharmAla's research and operations and the results thereof will be favourable; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to PharmAla.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in cost of research and operations; interest rate and exchange rate fluctuations; adverse changes in economic conditions.
The Company's ability to commercialize on its own or find and enter into agreements with potential partners to bring viable product candidates to commercialization.	PharmAla will be able to commercialize on its own or to find a suitable partner and enter into agreements to bring product candidates to market within a reasonable time frame and on favourable terms; the costs of commercializing on its own or entering into a partnership will be consistent with PharmAla's expectations; partners will provide necessary financing and expertise to bring product candidates to market successfully and profitably.	PharmAla will not be able to commercialize on its own or find a partner and/or enter into agreements within a reasonable time frame; if the Company enters into agreements, these agreements may not be on favourable terms to PharmAla; costs of entering into agreements may be excessive; potential partners will not have the necessary financing or expertise to bring product candidates to market successfully or profitably.

Forward-looking statements	Assumptions	Risk factors
Factors affecting pre-clinical research, clinical trials and regulatory approval process of the Company's product candidates.	Actual costs of pre-clinical research, clinical and regulatory processes will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; the Company will be able to recruit suitable patients for clinical trials; the Company will be able to complete pre-clinical research and clinical studies on a timely basis with favourable results; all applicable regulatory and governmental approvals for product candidates will be received on a timely basis with terms acceptable to PharmAla; debt and equity markets, exchange and interest rates, and other applicable economic and political conditions are favourable to PharmAla; there will be a ready market for the product candidates.	PharmAla's product candidates may require time-consuming and costly pre-clinical and clinical studies and testing and regulatory approvals before commercialization; the Company's ability to retain and attract skilled staff; the Company's ability to recruit suitable patients for clinical trials;adverse changes in regulatory and governmental processes; interest rate and exchange rate fluctuations; changes in economic and political conditions; adverse impacts of market competition.
The Company's ability to obtain and protect the Company's intellectual property rights and not infringe on the intellectual property rights of others.	Patents and other intellectual property rights will be obtained for viable product candidates; patents and other intellectual property rights obtained will not infringe on others.	PharmAla will not be able to obtain appropriate patents and other intellectual property rights for viable product candidates; patents and other intellectual property rights obtained will be contested by third parties; no proof that acquiring a patent will make the product more competitive.
The Company's ability to source markets which have demand for its products and successfully supply those markets in order to generate sales.	The anticipated markets for the Company's potential products and technologies will continue to exist and expand; the Company's products will be commercially viable and it will successfully compete with other research teams who are also examining potential products.	The anticipated market for the Company's potential products and technologies will not continue to exist and expand for a variety of reasons, including competition from other products and the degree of commercial viability of the potential product.
Future actions with respect to and potential impacts of pending claims.	PharmAla will be able to settle or otherwise obtain disposition of claims against it on favourable terms.	PharmAla may will not be able to settle pending claims on favourable terms; claims may be adjudicated in a manner that is not favourable to PharmAla.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward- looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CAUTION REGARDING NON-IFRS MEASURES

In addition to the results reported in accordance with IFRS, this Interim MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. The Company uses non-IFRS measures, including "adjusted EBITDA" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, non-IFRS financial measures should not be considered in isolation or as a substitute for the analysis of financial information reported under IFRS. These non-IFRS measures do not have any standardized meaning prescribed under IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. The Company believes these non-IFRS financial measures are frequently used by securities analysts, investors, and other interested parties as measures of financial performance, and it is therefore helpful to provide supplemental measures of operating performance and thus highlight trends that may not otherwise be apparent when relying solely on IFRS financial measures.

The Company's definitions of non-IFRS financial measures and other measures are:

EBITDA and Adjusted EBITDA: To calculate Adjusted EBITDA the Earnings before Interest (interest expense net of interest income), Taxes (income tax expense), Depreciation, and Amortization ("EBITDA"), is adjusted for non-cash expenses, specifically, share-based compensation and deferred joint venture profit on sales. The most directly comparable IFRS measure to Adjusted EBITDA is net loss and comprehensive loss.

BUSINESS OVERVIEW

PharmAla is a Canadian biotechnology company dedicated to the development, manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community and growing commercial use cases in select jurisdictions. PharmAla has 3 primary business lines: (1) the manufacture of MDMA and MDXX class molecules for sale to doctors and clinical researchers in both the commercial and academic sphere, (2) the research and development of novel MDXX class compounds which offer unique benefits above and beyond currently known substances and (3) the development of novel delivery mechanisms for MDMA and MDXX class compounds.

The Company believes that there is a significant market for clinical-grade MDMA for scientific research and non-research sales, in selected jurisdictions. However, the supply is constrained by manufacturing bottlenecks and regulatory restrictions. While the Company anticipates that business line (1), namely the manufacture of clinical grade MDMA for sale to end-users like researchers and clinicians, is currently generating revenue, the Company also believes that manufacturing of generic molecules is unlikely to yield stable long-term revenue as the supply of these molecules increases over time. As such, the Company believes that significantly more long-term value can be derived from activity which generates significant Intellectual Property, such as the Company's business lines (2) and (3). While these business lines are likely to generate significant value in the long-term, they are unlikely to generate short-term cash revenue as this revenue is dependent on the Company achieving its regulatory milestones.

OPERATIONAL HIGHLIGHTS

Corporate Highlights

During the three months ended November 30, 2024, we have added $74,412 of additional customer deposits, in addition to the $208,574 as at August 31, 2024. Due to the natural sales cycle with selling into clinical trials we are waiting on many of the customers to receive their trial and/or export permits in order for us to ship the related product, which in turn enables us to recognize the related revenue. Accordingly, there is no product revenue related to clinical trial sales during the three months ended November 30, 2024; however, we expect that these trial and/or export permits will be received in the coming months leading to the related revenues being recognized in future quarters.

Additionally, as announced on October 21, 2024, the Company terminated the supply agreement with CCrest Labs. Concurrently, the Company initiated a program to secure distributors in both the U.S. and Canadian markets. For Special Access Program distribution, the Company has partnered with Rane Pharmaceutical Inc. ("Rane"), an existing manufacturing and research partner of the Company, which recently obtained the requisite Health Canada licensure to provide distribution services; The company has commenced distribution subsequent to November 30, 2024.

In the U.S. while we continue to seek a permanent distribution partner, we are currently moving forward on individual exports for U.S. clinical trials, as needed and have applied for Health Canada export permits for these purposes. Due to the issues experienced with CCrest and the delay in finding new distribution partners, the Company did not ship MDMA product to Canadian patients under the Special Access Program in the three months ended November 30, 2024, which has resulted in a decrease in product revenue compared to our previous quarters and no movement in our inventory. Subsequent to November 30, 2024, after partnering with Rane, we have recommenced distribution, which will be reflected in product revenue in future quarters.

On November 14, 2024, as announced on November 7, 2024, the Company completed a debt settlement, which satisfied $100,000 of accounts payable to an arm's length creditor, in relation to legal services, through the issuance of 459,770 common shares at a deemed price of $0.2175. The extinguishment of the liability at the market price of the common shares resulted in a loss on debt settlement of $35,632.

On September 11, 2024, the Company announced it had terminated the agreement with Red Light Holland as of September 3, 2024.

During the three month period ended November 30, 2024, the Company issued 1,265,250 common shares related to the vesting of restricted share units (RSUs), the corresponding fair value of which was $206,250.

Further 850,000 common shares were issued related to the exercise of options with an exercise price of $0.05 per share for consideration of $42,500 by Directors of the Company.

EVENTS SUBSEQUENT TO NOVEMBER 30, 2024

On December 20, 2024, the Company announced that it had completed the non-brokered private placement offering (the "Offering") previously announced on December 13, 2024. The Offering was oversubscribed by 12% with an additional 898,444 Units sold, which resulted in a total of 8,676,221 Units, consisting of one Common Share and one-half of one Warrant, for aggregate gross proceeds of $1,561,720. Each whole Warrant entitles the holder thereof to acquire one Additional Share at a price of C$0.27 per Additional Share at any time prior to 4:30 pm (Toronto Time) on the date that is thirty six months following the Closing Date, provided that, if the closing price of the Common Shares on the CSE is $0.38 or greater per Common Share for a period of ten consecutive trading days at any time after the completion of the Offering, the Company may accelerate the Warrant Term, in compliance with the policies of the CSE, such that the Warrants shall expire on the date which is thirty days following the date a press release is issued by the Company announcing the reduced Warrant Term in accordance with the terms and conditions of the certificate representing such Warrants.

The Company intends to use the net proceeds of the Offering for the securing of global patent rights for its portfolio of novel intellectual property assets, manufacture of products for sale, clinical trails into the Company's novel patented drug candidates, sales, general corporate and working capital purposes.

Securities issued under the Offering were, as applicable, subject to (i) a four month and one day hold period from the date of issuance and (ii) applicable legends as required pursuant to the United States Securities Act of 1933, as amended.

Further, on December 20, 2024, the Company announced that effective December 17, 2024, it had completed its continuance from the Province of British Columbia governed under the Business Corporations Act (British Columbia) into the Province of Ontario governed under the Business Corporations Act (Ontario) (the "Continuance"). The Continuance was approved by the Company's shareholders at its annual general and special meeting held on February 27, 2024.

On December 20, 2024, the Company filed its annual audited financial statements and MD&A for the year ended August 31, 2024.

TRENDS AND ECONOMIC CONDITIONS

The Company's future performance is largely tied to its intellectual property rights, the results of its clinical research and development program, regulatory changes impacting the Psychedelics category, and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy. The Company and management also closely monitor ongoing political changes in key markets, as these may represent both risks and opportunities to grow in these markets.

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

Apart from these and the risk factors noted under the heading "Risk Factors" and "Cautionary Note Regarding Forward-Looking Information", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

PharmAla Biotech Holdings Inc.
Management's Discussion and Analysis
Three Months Ended November 30, 2024
Dated - January 27, 2025

RESULTS OF OPERATIONS

Three months ended November 30, 2024, compared with the three months ended November 30,2023

The following table provides an explanation of the significant increases and decreases for the three months ended November 30, 2024, compared with the three months ended November 30,2023:

	2024	2023	Variance	Comments
Revenue	$57,297	$752,470	($695,173)	During 2023 the Company completed a number of shipments and realized revenue from Cortexa. During 2024, revenue in the three month period consisted of the Cortexa license fee. Sales and COGs will vary period to period depending on the shipments and receipts by customers. Due to the natural sales cycle with selling into clinical trials we are waiting on many of the customers to receive their trial permits in order for us to ship the related product, which in turn enables us to recognize the related revenue and cost of goods sold. Further, due to the issues with our distribution partners, we did not ship MDMA product in the three months ended November 30, 2024.
Cost of goods sold	$-	($292,958)	(292,958)	
Consulting	(70,582)	(100,778)	(30,196)	The primary change is related to costs for the CEO moving from a consulting contract onto payroll.
Investor relations	(20,008)	(14,985)	5,023	Investor relations remained relatively consistent.
Research costs	(33,250)	(41,666)	(8,416)	The Company incurred less research costs as there were no production or manufacturing runs for which product sent for research purposes is expensed.
Payroll expenses	(43,162)	(9,689)	33,473	The primary change is related to costs for the CEO moving from a consulting contract onto payroll.
Professional fees	(50,614)	(7,797)	42,817	The increase in professional fees is driven by the hiring of a new sales consultant, accounting for $28,000k of the increase, and our new CFO, accounting for approximately $15,000 of the increase.
Stock based compensation	(226,295)	(18,780)	207,515	The Company has granted significant RSU and option awards and the additional expense is simply due to the timing of the related vesting period.
Loss on debt settlement	(35,632)	-	35,632	During the period ended November 30, 2024, the Company entered into a debt settlement agreement. The extinguishment of the liability at the market price of the common shares resulted in a loss on debt settlement of $35,632.
Other expenses and revenue	(56,863)	(59,910)	(3,047)	Other expenses consist of bad debts, depreciation and amortization, office and general and travel, which overall decreased slightly. With the increase in amortization being offset by a decrease in office and general and increase in travel.
Deferred joint venture portion of sales	-	(169,430)	(169,430)	During the three months ended November 30, 2024, the Company did not have additional sales to the joint venture and accordingly required no additional deferral.
Net Loss and Comprehensive Loss	**($479,109)**	**$36,477**	**($515,586)**	
Stock based compensation	226,295	18,780	(207,515)	After adjusting for the noted non-cash items, Adjusted EBITDA has decreased from a $240,479 earnings to a $187,615 loss. The decrease is primarily attributable to the decrease in sales offset by the corresponding decrease in cost of sales, increase in professional fees and with there being no additional sales to the joint venture during the period, a decrease in the corresponding deferral.
Depreciation & amortization	29,567	15,792	(13,775)	
Loss on debt settlement	35,632	-	(35,632)	
Deferred joint venture portion of sales	-	169,430	169,430	
Adjusted EBITDA	**($187,615)**	**$240,479**	**($603,078)**	

OFF-BALANCE-SHEET ARRANGEMENTS

As of the date of this Interim MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

LIQUIDITY AND CAPITAL RESOURCES

The activities of the Company, principally the manufacture and sales of MDMA, as well as the research and development and MDXX molecules, are financed through sales of MDMA to both clinical trial customers and patients in select markets, as well as through the completion of equity transactions such as equity offerings and the exercise of stock options.

The Company has generated operating revenues from its business operations. However to date the Company has not generated sufficient operating revenues to meet its business operations cash flows, and therefore must utilize its current cash reserves and other financing transactions to maintain its capacity to meet ongoing discretionary operating activities and research and development costs. The Company relies on sales and external financings to generate capital. On November 30, 2024, the Company also had 6,615,000 options which are exercisable that would raise $826,000 and 2,083,331 warrants that would raise another $447,916, if exercised in full. See “Trends and Economic Conditions” above.

The Company has no debt and its credit and interest rate risk is minimal. Amounts payable and other liabilities are short term and non-interest bearing. HST receivable consist of sales tax owing from government authorities in Canada.

At November 30, 2024, the Company had a cash balance of $198,549 (2023 - $222,847) as a result of cash outflows in operating activities of $238,889 (2023 – inflows of $14,319), cash outflows in investing activities of $24,441 (2023 - $56,514), and cash inflows from financing activities of $42,500 (2023 - $70,000).

Operating activities were affected by net loss of $479,109 (2023 – profit of $36,477), items not affecting cash of $291,494 (2023 - $149,164), and net non-cash working capital balances of ($75,874) (2023 – ($171,322)). Items not affecting cash consisted of depreciation and amortization of $29,567 (2023 - $15,792), stock based compensation of $226,295 (2023 - $18,780), loss on debt settlement of $35,623 (2023 - $0), deferred joint venture profit on sales $0 (2023 - $169,430), and offset by accrued license revenue of $0 (2023 – ($54,838)).

Net change in the non-cash working capital balance increased due to increases in customer and Cortexa deposits of $74,412 (2023 – decrease of ($329,566)), inventory of $0 (2023 - $112,033), accounts receivable of $16,190 (2023 – 15,120), HST receivable increase of $1,116 (2023 – decrease of ($22,182)) and an increase in prepaid expenses and deposits of $26,521 (2023 –$44,156) and offset by a decrease in accounts payable and accrued liabilities of ($169,513) (2023 – increase of $9,117).

Investing activities cash outflows were due to intangible asset development costs of $24,441 (2023 - $56,514).

Cash from financing activities was due to the proceeds received from stock options exercises, by directors of the Company, of $42,500 (2023 - $70,000 from the CEO of the Company).

Subsequent to the period end, the Company closed a non-brokered private placement offering resulting in aggregate gross proceeds of $1.5 million, see Note 16 to the unaudited condensed interim consolidated financial statements.

Currently and in future, the Company’s use of cash has and will principally occur in two areas: funding of its general and administrative expenditures and funding of its investment activities. Funding investing activities includes the cash components of the cost of acquiring and developing its intangible asset.

There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

The Company cannot guarantee it will have a cash flow positive status from operating activities in future periods. As a result, the Company continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Company could have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Company has negative cash flow from operating activities in future periods, the Company may need to use a portion of proceeds from any offering to fund such negative cash flow.

CORTEXA JOINT VENTURE

On May 1, 2023, the Company along with Australian-based Vitura Health Limited (ASX: VIT) each acquired a 50% equity interest in Cortexa. Cortexa has exclusive rights to manufacture and distribute MDMA and Psilocybin in Australia under GMP conditions using PharmAla's manufacturing technology and intellectual property. Cortexa is controlled by a board consisting of equal representatives of both the Company and Vitura. Cortexa is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method.

PharmAla may make available from time to time products to Cortexa for import into Australia for supply to medical practitioners under the Therapeutic Goods Administration ("TGA") Authorised Prescriber 2 scheme. During the year ended August 31, 2024, the Company accrued license revenue of $18,949 (AUS 20,833; 2023 - $74,058 (AUS 83,333)).

Cortexa has a licence based on PharmAla's manufacturing technology and intellectual property, allowing for the manufacturing of MDMA and Psilocybin in Australia under GMP conditions.

CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company's ability to continue to carry out its planned activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity, which comprises share capital, special warrants, warrants, contributed surplus and, accumulated deficit, which at November 30, 2024 totaled equity of $1,928,230 (August 31, 2024 - $1,981,360).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

COMMITMENTS AND CONTINGENCIES

Sales contracts

Pursuant to the sales contracts with customers, the Company receives deposits for sales contracts. Certain upfront costs are non-refundable, however due to the nature of the industry of which the Company operates in, completing performance obligation for the contract often requires regulatory approval from a number of agencies. The Company is committed to completing its performance obligations.

Contingencies

From time to time, the Company may become involved in various claims and litigation as part of its normal course of business. The Company is not currently aware of any claims and litigation that it is party to at this time.

RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The former Chief Financial Officer ("CFO") of the Company is the managing director of Marrelli Support Services Inc. ("MSSI"). During the three months ended November 30, 2023, the Company paid for professional fees of $13,027 to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited, and Marrelli Trust Company Limited, collectively, the ("Marrelli Group"), while the Company continued to contract with these parties, they cease to be related party transactions. The services provided by the Marrelli Group are for:

- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services; and
- Transfer agent services.

These services are required by the Company to maintain its reporting issuer status. As at November 30, 2023, the Marrelli Group was owed $15,662, and this amount is included in accounts payables and accrued liabilities. These services were incurred in the normal course of business, and these costs are included in professional fees.

During the three months ended November 30, 2024, the Company incurred consulting and payroll fees of $42,500 (2023 - $36,000) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at November 30, 2024, the CEO and companies controlled by the CEO were owed $nil (August 31, 2024 - $nil) inclusive of HST, and this amount was included in accounts payables and accrued liabilities. During the period the CEO also received RSU’s resulting in stock-based compensation of $95,049.

During the three months ended November 30, 2024, the Company incurred consulting fees of $24,000 (2023 - $24,640) to a company controlled by the Chief Operating Officer ("COO"). This service was incurred in the normal course of business, and these costs are included in consulting fees. As at November 30, 2024, companies controlled by the COO were owed $9,040 (August 31, 2024 - $27,654) inclusive of HST, and this amount was included in accounts payables and accrued liabilities. During the year, the COO also received RSU’s resulting in stock-based compensation of $23,539 and further stock-based compensation of $318 related to the vesting of options.

During the three months ended November 30, 2024, the Company incurred $20,500 in consulting fees (2023 - $nil) to the successor CFO, of which $7,345 was included in accounts payable and accrued liabilities.

See note 7. and 8 to the unaudited condensed interim consolidated financial statements.

During the three months ended November 30, 2024, the Company incurred stock based compensation expense to directors and officers of $148,215 (2023 - $744).

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

MATERIAL ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in preparing the unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2024.

ACCOUNTING PRONOUNCEMENTS

Accounting standards issued but not yet applied

IFRS 18, Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its "operating profit or loss". IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Management is currently assessing the impact of this standard.

SHARE CAPITAL

As of the date of this Interim MD&A, the Company had 94,290,237 issued and outstanding common shares, and had no special warrants outstanding.

Warrants outstanding for the Company at the date of this Interim MD&A were as follows:

Warrants	Expiry Date	Exercise Price ($)
2,083,331	April 19, 2027	0.27

RSUs outstanding for the Company at the date of this Interim MD&A were as follows:

Options	Grant Date
2,300,000	November 3, 2023
1,318,750	March 8, 2024
1,500,000	July 30, 2024

Stock options outstanding for the Company at the date of this Interim MD&A were as follows:

Options	Expiry Date	Exercise Price ($)
160,000	March 23, 2026	0.05
1,025,000	June 18, 2026	0.10
330,000	August 12, 2026	0.10
750,000	November 1, 2026	0.10
1,750,000	January 5, 2027	0.10
300,000	July 13, 2027	0.10
2,300,000	November 6, 2033	0.175

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative, involving numerous and significant risks, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended August 31, 2024, available on SEDAR at www.sedar.com.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.