# PHARMALA BIOTECH HOLDINGS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS - YEAR ENDED AUGUST 31, 2025 (EXPRESSED IN CANADIAN DOLLARS)

**PharmAla Biotech Holdings Inc.**
**Management's Discussion and Analysis**
**Year Ended August 31, 2025**
**Dated - December 23, 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.

On March 19, 2021, Holdings Inc. issued 40,000,000 common shares as consideration for acquisition of the 5,000,000 common shares in the capital of PharmAla. The Acquisition was accounted for as a reverse takeover ("RTO") whereby PharmAla was identified as the acquirer for accounting purposes and the resulting consolidated financial statements are presented as a continuance of PharmAla. After the RTO, the combined entity of Holdings Inc. and PharmAla is referred to also as "the Company".

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".

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

This MD&A should be read in conjunction with the audited financial statements of the Company for the years ended August 31, 2025 and 2024, together with the notes thereto.

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended August 31, 2025 and 2024. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations.

For the purposes of preparing this 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.

Additional information relating to the Company, including the Company's AIF, is on SEDAR+ at www.sedarplus.ca. Further information about the Company and its operations can be obtained from the offices of the Company.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). All statements, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements. In certain cases, forward-looking statements can be identified by the words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology.

Forward-looking statements in this MD&A include, or may include, but are not limited to, statements with respect to:

- the Business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones;
- the Corporation's future growth prospects and intentions to pursue one or more viable Business opportunities;
- the development of the Business and future activities following the MD&A filing date;

- expectations relating to market size and anticipated growth in the jurisdictions within which the Corporation may from time to time operate or contemplate future operations;
- expectations with respect to economic, Business, regulatory and/or competitive factors related to the Corporation or controlled substances or pharmaceutical industry generally;
- the market for the Corporation's current and proposed product offerings and candidates, as well as the Corporation's ability to capture market share;
- the Corporation's strategic investments and capital expenditures, and related benefits;
- the distribution methods expected to be used by the Corporation to deliver its product offerings and candidates;
- the competitive landscape within which the Corporation operates and the Corporation's market share or reach;
- the performance of the Business and the operations and activities of the Corporation;
- the Corporation's ability to generate cash flow from operations and from financing activities;
- the Corporation's ability to obtain, maintain, and renew or extend, applicable Authorizations (as defined below), including the timing and impact of the receipt thereof;
- the Corporation's intention to devote resources to the protection of its intellectual property ("**IP**") rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;
- the intention of the Corporation to complete future financings and any additional offering of securities of the Corporation and the aggregate amount of the total proceeds that the Corporation will receive pursuant to any future offering;
- the Corporation's expected use of the net proceeds from any future offering;
- the anticipated effects of any future offering on the Business and operations of the Corporation;
- the listing of Common Shares offered in any future offering;
- the Corporation's ability to generate cash flow from operations and from financing activities;
- projections for development plans and progress of products and technologies, including with respect to timely and successful discovery and identification of psychedelic-derived pharmaceuticals suitable for repurposing;
- the Company's ability to attract partners in the development process;
- the Company's ability to license identified product candidates to pharmaceutical companies;
- future IP, research and development, product formulations, and Business lines;
- expectations regarding acceptance of products and technologies by the market;
- demonstration of such product offerings and candidates' safety and efficacy in clinical trials;
- factors affecting pre-clinical research, clinical trials and regulatory approval process of the Company's product candidates;
- 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;
- the Company's ability to source markets which have demand for its products and successfully supply those markets in order to generate sales; and
- future actions with respect to and potential impacts of pending claims.

Forward-looking statements are subject to certain risks and uncertainties. Although management of the Corporation ("**Management**") believes that the expectations reflected in these forward-looking statements are reasonable in light of, among other things, its perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable in the circumstances at the date that such statements are made, readers are cautioned not to place undue reliance on forward looking statements, as forward looking statements may prove to be incorrect. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements. Importantly, forward-looking statements contained in this MD&A are based upon certain assumptions that Management believes to be reasonable based on the information currently available to Management, including, but not limited to, the assumptions that:

- current and future members of Management will abide by the business objectives and strategies from time to time established by the Corporation;

- the Corporation will retain and supplement its board of directors (the "**Board**") and Management, or otherwise engage consultants and advisors having knowledge of the industries (or segments thereof) within which the Corporation may from time to time participate;
- the Corporation will have sufficient working capital and the ability to obtain the financing required in order to develop and continue its business and operations;
- the Corporation will continue to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be;
- no adverse changes will be made to the regulatory framework governing MDMA, pharmaceuticals, controlled substances, taxes, and all other applicable matters in the jurisdictions in which the Corporation conducts business and any other jurisdiction in which the Corporation may conduct business in the future;
- the Corporation will be able to generate cash flow from operations, including, where applicable, distribution and sale of its product candidates;
- the Corporation will be able to execute on its business strategy as anticipated;
- the Corporation will be able to meet all applicable requirements necessary to obtain and/or maintain its permits and licences required to conduct the Business;
- general economic, financial, market, regulatory, and political conditions will not negatively affect the Corporation or its Business;
- the Corporation will be able to successfully compete in the pharmaceutical and/or controlled substances industry;
- controlled substances prices will not decline materially;
- the Corporation will be able to effectively manage anticipated and unanticipated costs;
- the Corporation will be able to maintain internal controls over financial reporting and disclosure and procedures in order to ensure compliance with applicable Laws;
- the Corporation will be able to conduct its operations in a safe, efficient, and effective manner, and general market conditions will be favourable with respect to the Corporation's future plans and goals;
- the Corporation will use the net proceeds from any future offering as outlined;
- the Corporation will list the Common Shares offered in any future offering;
- any future offering will have the anticipated effects on the Business and operations of the Corporation;
- the Corporation will be able to attract partners in the development process;
- the Corporation will be able to license identified product candidates to pharmaceutical companies;
- the Corporation products and technologies will be accepted by the market;
- 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 the Corporation's expectations;
- the Corporation 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;
- 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 complete pre-clinical research and clinical studies on a timely basis with favourable results;
- debt and equity markets, exchange and interest rates, and other applicable economic and political conditions will be favourable to PharmAla;
- there will be a ready market for the product candidates;
- PharmAla will be able to commercialize on its own or 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;
- patents and other IP rights will be obtained for viable product candidates and once obtained will not infringe on others;
- 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; and
- PharmAla will be able to settle or otherwise obtain disposition of claims against it on favourable terms.

By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although Management believes that the expectations reflected in, and assumptions underlying, such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. New factors emerge from time to time, and it is not possible for Management to predict all of those factors or to assess in advance the impact of each such factor on the Business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Some of the risks that could cause results to differ materially from those expressed in forward-looking statements in this MD&A include, but not limited to:

- the Corporation's inability to attract and retain qualified members of Management to grow its Business;
- unanticipated changes in economic and market conditions or in applicable Laws;
- the impact of the publications of inaccurate or unfavourable research by securities analysts or other third parties;
- the Corporation's failure to complete future acquisitions or enter into strategic business relationships;
- unanticipated changes in the controlled substances industry in the jurisdictions within which the Corporation may from time to time conduct its business and operations, including the Corporation's inability to respond or adapt to such changes;
- the Corporation's inability to secure or maintain favourable lease arrangements or the required approvals and permits necessary to conduct its business and operations and meet its targets;
- risks relating to projections of the Corporation's operations;
- the Corporation's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Corporation;
- the Corporation's inability to list the Common Shares offered in any future offering;
- the Corporation's failure to utilize the use of proceeds from any future offering as expected;
- the Corporation inability to complete its proposed acquisitions;
- availability of financing in the amount and time frame needed for the development and clinical trials may not be favourable;
- the Company's ability to recruit suitable patients for clinical trials;
- timely and favourable regulatory and governmental compliance, acceptances, and approvals;
- the Company's ability to produce and sell products in, and export products to, other jurisdictions within and outside of Canada and the United States, which is dependent on compliance with additional regulatory or other requirements;
- that the Company's international Business operations, including expansion to new jurisdictions, could expose it to regulatory risks or factors beyond our control such as currency exchange rates, interest rates, and changes in governmental policy;
- changes in economic conditions;
- increases in cost of research and operations;
- PharmAla's product candidates may require time-consuming and costly preclinical and clinical studies and testing and regulatory approvals before commercialization;
- adverse changes in regulatory and governmental processes;
- the Company will be adversely affected by market competition;

- 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;
- PharmAla will not be able to obtain appropriate patents and other IP rights for viable product candidates;
- patents and other IP rights obtained will be contested by third parties;
- no proof that acquiring a patent will make the product more competitive;
- 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;
- PharmAla may will not be able to settle pending claims on favourable terms; and
- claims may be adjudicated in a manner that is not favourable to PharmAla.

Readers are cautioned that the foregoing list of factors are not exhaustive. The Corporation provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements (including those in the documents incorporated herein by reference), and in evaluating forward-looking statements, readers should specifically consider various factors, including the risks outlined under "*Risk Factors*" herein and in the Annual Information Form for further details, which may cause actual results to differ materially from the results, performance or achievements of the Corporation expressed or implied by any forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and except as required by applicable securities Laws, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements.

## CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION

This MD&A may contain future oriented financial information ("**FOFI**") within the meaning of applicable Canadian securities laws, about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, which FOFI is not presented in the format of a historical balance sheet, income statement or cash flow statement. The FOFI has been prepared by Management to provide an outlook of the Corporation's activities and results, and has been prepared based on a number of assumptions including the assumptions discussed under the heading "*Cautionary Note Regarding Forward-Looking Information*" and assumptions with respect to the costs and expenditures to be incurred by the Corporation, capital expenditures and operating costs, taxation rates for the Corporation and general and administrative expenses. Management does not have, or may not have had at the relevant date, firm commitments for all of the costs, expenditures, prices or other financial assumptions which may have been used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not, or may not have been at the relevant date of the FOFI, objectively determinable.

Importantly, the FOFI contained in this MD&A are, or may be, based upon certain additional assumptions that Management believes to be reasonable based on the information currently available to Management, including, but not limited to, assumptions about: (i) the future pricing for the Corporation's products, (ii) the future market demand and trends within the jurisdictions in which the Corporation may from time to time conduct the Business, and (iii) the Corporation's ongoing inventory levels, and operating cost estimates. The FOFI or financial outlook contained in this MD&A do not purport to present the Corporation's financial condition in accordance with IFRS as issued by the International Accounting Standards Board, and there can be no assurance that the assumptions made in preparing the FOFI will prove accurate. The actual results of operations of the Corporation and the resulting financial results will likely vary from the amounts set forth in the analysis presented in any such document, and such variation may be material (including due to the occurrence of unforeseen events occurring subsequent to the preparation of the FOFI). The Corporation and Management believe that the FOFI has been prepared on a reasonable basis, reflecting Management's best estimates and judgments as at the applicable date. However, because this information is highly subjective and subject to numerous risks including the risks discussed under the heading "*Risk Factors*" herein and in the Annual Information Form for further details, FOFI or financial outlook within this MD&A should not be relied on as necessarily indicative of future results.

Readers are cautioned not to place undue reliance on the FOFI or financial outlook contained in this MD&A. Except as required by applicable securities Laws, the Corporation does not intend, and does not assume any obligation, to update such FOFI.

## CAUTION REGARDING NON-IFRS MEASURES

In addition to the results reported in accordance with IFRS, this 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 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, supply is constrained by manufacturing bottlenecks and regulatory restrictions. While the Company anticipates that its first business line, namely the manufacture of clinical grade MDMA for sale to end-users like researchers and clinicians, will continue generating revenue in the short to medium term eventually becoming more stable, the Company also believes that manufacturing of generic molecules will in the long-term be disrupted somewhat as 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 IP, such as the Company's second business line. 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.

The following sections are intended to provide a summary of the business and operations of PharmAla's material subsidiaries within the retail, as well as manufacturing and wholesale segments of the Business, as at the date of this Prospectus.

***PharmAla Biotech Inc.***

PharmAla Biotech Inc. was incorporated under the BCBCA on December 23, 2020. The fiscal year end of PharmAla Biotech Inc. is August 31.

On March 15, 2021, the Company entered into the PharmAla Share Exchange Agreement with the securityholders of PharmAla Biotech Inc., pursuant to which the Company agreed to acquire all of the issued and outstanding securities of PharmAla Biotech Inc. in consideration for the issuance of a total of 40,000,000 Common Shares at a deemed price of $0.05 per Common Share.

Pursuant to the PharmAla Share Exchange Agreement, on March 19, 2021, PharmAla Biotech Inc. became a wholly-owned subsidiary of the Company, after the Company acquired all of its issued and outstanding securities.

PharmAla operates the Business through PharmAla Biotech Inc.

The registered and head office of PharmAla Biotech Inc. is located at 1 Adelaide Street East, Suite 801, Toronto, Ontario M5C 2V9.

***Cortexa***

Cortexa was incorporated in Australia pursuant to the *Corporations Act 2001* on April 26, 2023. On May 1, 2023, the Company, along with Australian-based Vitura established the Cortexa Joint Venture. Cortexa has exclusive rights to manufacture and distribute MDMA and psilocybin in Australia under GMP conditions using PharmAla's manufacturing technology and IP pursuant to the Cortexa Licensing Agreement and Cortexa Supply Agreement.

On May 1, 2023, Cortexa entered into the Cortexa Distribution Agreement with Burleigh pursuant to which Burleigh was appointed the exclusive distributor in Australia of MDMA and Psilocybin products for Cortexa.

On May 1, 2023, Vitura entered into the Cortexa Loan Agreement with Cortexa pursuant to which Vitura loaned to Cortexa $2,200,000 in connection with the Cortexa Joint Venture.

Pursuant to the terms and conditions of the Cortexa Joint Venture, Cortexa is controlled by a board of directors consisting of equal representatives from both the Company and Vitura. PharmAla Biotech Inc. may make available from time-to-time products to Cortexa for import into Australia for supply to medical practitioners under the TGA Authorised Prescriber scheme. During the year ended August 31, 2023, the Company accrued license revenue of $74,058 (AUS 83,333) and during the year ended August 31, 2024, the Company accrued license revenue of $18,949 (AUS $20,833).

The registered and head office of Cortexa is located at Suite 8, Level 3, 299 Toorak Road South Yarra VIC 3141, Australia.

Since its inception in May 2023, Cortexa has quickly established itself as the leader in the emerging therapeutic area of psychedelic-assisted therapy in Australia through navigating the regulatory framework, being the first to complete importation, achieving supply of products to clinical trials and the authorised prescriber scheme and now the commencement of onshore manufacturing.

In addition, Cortexa will shortly commence a medical education program designed to increase awareness of Psychedelic Assisted Therapy amongst the broader adult psychiatry community and continue its engagement with peak bodies and key customers to further expand the market in Australia.

***PharmAla Australia***

Effective August 11, 2025, the Company incorporated PharmAla Biotech Australia Pty Ltd. ("**PharmAla Australia**"), a wholly-owned Australian subsidiary, for the purposes of conducting research and development activities in Australia. PharmAla Australia is a registered company under the Corporations Act 2001 and registered in New South Wales and the current registered and head office of PharmAla Australia is Unit 9 99 Gardens Road, Darwin City, NT, 0800.

Since it's incorporation PharmAla Australia has not yet had operations; however, PharmAla Australia will receive a full and perpetual license to the Company's ALA-002 asset and all associated patents, and will be positioned to execute both manufacturing development and clinical research in Australia.

The Company intends for PharmAla Australia to conduct a phase 2a/2b clinical trial for ALA-002 and is currently undergoing a request for proposal process ("**RFP**") for manufacturers of the related active pharmaceutical ingredient and is in the process of finalizing a contract with a clinical trial site and leveraging that relationship into another RFP for a contract research organization ("**CRO**").

On September 17, 2025, PharmAla Australia agreed to the terms of a director services agreement in order to bring on a director holding a PhD from a prominent Australian university with extensive experience in drug discovery and development. PharmAla Australia intends to continue to build the local team in order to support the clinical trial and work closely with the CRO and trial site.

***LaNeo™ MDMA***

PharmAla has a Health Canada CDSL (License 6-1505), allowing for the legal sale of MDMA and Psilocybin. The Company's current CDSL (License 6-1505) is valid through January 31, 2026, which replaced their previous CDSL issued January 24, 2024. Given the Company's history of renewal, we expect that we will continue to obtain subsequent renewals. The Health Canada export permits are specific to the related shipment and as such must be obtained for each shipment being exported. PharmAla, through its research partners, conducts research and development on MDMA and products that may contain psychedelic compounds in Canada and the United States with a focus on developing and commercializing psychedelic-inspired regulated medicines. While PharmAla is focused on developing products using psychedelic compounds, PharmAla does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates. PharmAla does not directly deal with psychedelic substances and will only do so through agents within laboratory and clinical trial settings conducted within approved regulatory frameworks in the jurisdictions in which it operates. The Canadian federal government

regulates drugs through the CDSA, which places controlled substances in a schedule. Under the CDSA, MDMA is currently a Schedule III drug. CDSA prohibits the possession, sale or distribution of a Schedule III drug absent authorization under the CDSA or a related regulation (either via a license or an authorized exemption). It is a criminal offence to possess substances under the CDSA without a prescription. Health Canada has not approved MDMA as a drug. It is anticipated that all of PharmAla's MDMA related activities in Canada will be carried out in partnership with institutions (in Canada) under licenses held by and exemptions afforded to such partners to legally handle and administer such drugs.

Health Canada restored access to certain restricted drugs, including MDMA, through the Special Access Program ("**SAP**") on January 5, 2022. The SAP allows health care practitioners to request for patients, on an emergency basis, access to drugs that are not yet approved in Canada. Since 2013, Canadians had been unable to access certain restricted drugs, such as MDMA, through the SAP. Through our Health Canada CDSL (License 6-1505) and our manufacturing and distribution partners, our MDMA product is available upon request under the SAP or for research purposes. SAP sales are currently fulfilled through distribution partners.

The SAP allows health care practitioners to request for patients, on an emergency basis, access to drugs that are not yet approved in Canada. Since 2013, Canadians had been unable to access certain restricted drugs, such as MDMA, through the SAP. Through our Health Canada CDSL (License 6-1505) and our manufacturing and distribution partners, our MDMA product is available upon request under the SAP or for research purposes. SAP sales are currently fulfilled through distribution partners.

The Company believes that there is a significant market in Canada for clinical-grade MDMA for scientific research, the supply of which is constrained by manufacturing bottlenecks and regulatory restrictions.

In the United States, MDMA is a Schedule I drug under the CSA. It is currently illegal under federal United States law to possess, produce and sell MDMA absent regulatory approval. There are currently no federally recognized medical uses in the United States for MDMA. The FDA has approved certain trials for the study of MDMA, however, this drug is still currently illegal under federal law absent such approval.

To date, we have provided our MDMA product to U.S. based researchers for use in their approved clinical trials under export permits obtained through Health Canada and fulfilled through Rane Pharma. We expect the U.S. market to continue to be strong for our product, due to the lack of other suitable providers and we have agreed to commercial terms to supply a number of U.S. clinical trials, for which clinical trial approval is pending.

Further, the Company has opened up new markets for supplying MDMA product in both Israel and the Netherlands, as described below:

1. On January 20, 2025, the Company announced that it had executed the Merhavim Supply and Data Agreement with the Merhavim Mental Health Centre of Beer Yaakov, Israel. All data generated in the clinical trial, entitled "MDMA Assisted Psychotherapy for PTSD of Early Sexual Trauma Compared to All Trauma in Adulthood", will be licensed to PharmAla for regulatory and commercial purposes in exchange for the clinical trial material, which will be provided by PharmAla on a zero-cost basis. MAPS Israel, an Israeli non-profit organization whose mission is to develop psychedelic research and educational programs based in public health, is also a partner to the clinical trial.

2. On March 4, 2025, the Company signed the Duchefa Distribution and Licensing Agreement with Duchefa Farma B.V. Pursuant to the terms and conditions of the Duchefa Distribution and Licensing Agreement, Duchefa will act as the exclusive distributor for LaNeo™ MDMA in the Netherlands market. The Duchefa Distribution and Licensing Agreement includes an annual purchase minimum, as well as restrictions on re-export and price controls. It also includes an escalator provision which would significantly increase the minimum purchase amounts in the 24 months following regulatory changes which allow for use of MDMA in the healthcare system. Duchefa will also act as Importer of Record as well as providing QP Release of PharmAla's products. Under EU regulations, QP release is necessary prior to use of a drug product in either commercial use or in clinical trial. The Duchefa Distribution and Licensing Agreement has a three year term with additional three year automatic renewals unless terminated by either party.

MDXX Class Molecules

The research and development of novel MDXX class compounds and the development of novel delivery mechanisms for MDMA and MDXX class compounds, we believe will offer unique benefits above and beyond currently known substances.

On July 30, 2024, the Company announced that the USPTO issued patent 12042478, supporting PharmAla's composition of matter for (R)-2-[(2H-1,3-Benzodioxol-5-YL)Methyl]Pyrrolidine, internally deemed APA-01.

On August 9, 2024, the Company announced that the USPTO issued patent 12053452, supporting the composition of matter for its novel, non-racemic mixture of MDMA enantiomers, internally deemed ALA-002.

On January 17, 2022, the Company initiated preclinical research on its patented NCEs at the laboratory of Dr. William Fantegrossi at the University of Arkansas for Medical Sciences. The preclinical data obtained through the UAMS Research Agreement was used to support the successful application for the patents noted above.

The Company is exploring options with potential funding partners to take one of our MDXX molecules into clinical trials.

## OPERATIONAL HIGHLIGHTS

### Corporate Highlights - 2025

During the year ended August 31, 2025, we have added $150,000 of additional customer deposits, building on the $208,574 as at August 31, 2024, while we have recognized $83,000 as revenue on the delivery of the related product. 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. In the U.S. while we were working to secure a permanent distribution partner, we moved forward on individual exports for U.S. clinical trials, as needed and applied for Health Canada export permits for these purposes. As a result, we were able to ship clinical trial product during the period. We expect that we will be in a position to fulfil further of these orders in the coming months leading to the related revenues being recognized in future quarters.

For Special Access Program ("SAP") distribution, the Company has partnered with Rane Pharmaceutical Inc. ("Rane"), an existing manufacturing and research partner of the Company. The Company has recommenced distribution during the second quarter of 2025, resulting in resuming delivery under the SAP and continuing to grow SAP revenue enabling us to reach and help more patients.

Considering total expenses for the year ended August 31, 2025 and 2024 of $2,741,193 and $1,553,607, respectively, in addition to cost of sales of $53,162 and $147,856, respectively, and the effect of non-cash expenses of bad debt expense, depreciation and amortization, stock based compensation and loss on debt settlement, collectively $1,047,214 and $768,963, the increase in the remaining expenses is approximately $644,000. As discussed in the analysis that follows, the most significant driver of this is the cessation of capitalization of research and development costs, which in fiscal 2024 were $226,419, the remaining increase is attributable to the hiring of our Chief Commercial Officer ("CCO"), Chief Financial Officer ("CFO") and the legal and accounting costs related to filing our short-form prospectus.

*Launch of Phenesafe AI Drug Discovery Platform for Novel Phenethylamines*

On May 15, 2025, the Corporation launched the "Phenesafe AI" platform, an artificial intelligence ("**AI**") technology stack specifically designed to derive novel substituted phenethylamine molecules for patent and subsequent development.

The drug discovery platform can be used to identify additional molecules in the MDXX class. The Corporation believes that the MDXX class represents significant potential for patient treatment in a number of psychiatric and neurological indications.

*Issuance of Options*

On May 29, 2025, the Corporation granted an aggregate of 1,500,000 Options to certain directors, officers, and employees of the Corporation pursuant to the Equity Incentive Plan. The Options are exercisable for a period of five years at a price of $0.105 per Common Share and vest quarterly in equal 25% allotments.

*Shipment of LaNeo™ MDMA to Yale University*

On June 3, 2025, the Corporation announced that it successfully completed an international shipment of LaNeo™ MDMA to Yale University. The shipment will be used for an open-label trial which will investigate the effects of a dose of MDMA on social cognition in adults with Borderline Personality Disorder.

*Authorization to MAPS to post Investigator's Brochure*

On June 3, 2025, the Corporation announced that it has granted the Multidisciplinary Association for Psychedelic Studies ("**MAPS**") authorization to post the Company's LaNeo™ MDMA Investigator's Brochure (the "**Brochure**") publicly on the MAPS website. Access to the Brochure was previously reserved for researchers working with the Corporation. The Corporation hopes that greater access to the Brochure will encourage continued adoption of LaNeo™ MDMA for clinical trial and patient use. The Brochure remains the sole copyrighted work of the Corporation, all rights reserved.

*Merhavim Delivery in Exchange for Full Data License*

On August 7, 2025, the Company completed customs clearance and delivery of over 500 capsules of the Company's LaNeo 40mg MDMA to Merhavim Mental Health Centre of Beer Yaakov, Israel ("**Merhavim**").

All data generated in the clinical trial, entitled "MDMA Assisted Psychotherapy for PTSD of Early Sexual Trauma Compared to All Trauma in Adulthood", will be licensed to the Company for regulatory and commercial purposes in exchange for the clinical trial material. MAPS Israel, an Israeli non-profit organization whose mission is to develop psychedelic research and educational programs

based in public health, is also a partner to the clinical trial.

*Appointment of Dr. Evan Lewis to PharmAla's Scientific Advisory Board*

Effective September 1, 2025, PharmAla appointed Dr. Evan Lewis (MD, FRCPC, CSCN EEG Diplomate, CMLE, C-CAT (P)) to its Scientific Advisory Board.

Dr. Evan Cole Lewis is an adult and pediatric neurologist with specialized training in epilepsy and pediatric neurology. He holds a clinical appointment as Adjunct Assistant Professor in the Department of Pediatrics at the Hospital for Sick Children and the University of Toronto. He founded and led the Neurology Centre of Toronto (2016–2024) and served as Vice President of Psychedelic Neurology at Numinus (2021–2024), where he advanced clinical care and research in medical cannabis and developed and directed a Ketamine-Assisted Therapy program for neurological conditions.

His clinical focus includes epilepsy, brain injury, concussion and persistent post-concussion symptoms, functional neurological disorders—especially functional seizures—and the use of cannabis and psychedelics in neurological treatment.

*PharmAla Australia Incorporation*

Effective August 11, 2025, the Company incorporated PharmAla Australia, a wholly-owned Australian subsidiary, for the purposes of conducting research and development activities in Australia.

PharmAla Australia will receive a full and perpetual license to the Company's ALA-002 asset and all associated patents, and will be positioned to execute both manufacturing development and clinical research in Australia.

*Other*

On September 11, 2024, the Company announced the termination of its agreement with Red Light Holland, which was concluded on September 3, 2024.

**Corporate Highlights - 2024**

On September 11, 2024, the Company announced it had terminated the agreement with Red Light Holland as of September 3, 2024, as a result, during the year ended August 31, 2025 there is no recurring consulting revenue, as there was in the comparative periods in 2024.

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 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 nine 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 trials 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.

On November 8, 2023, the Company announced that it has signed an exclusive long-term agreement (the "Partnership Agreement") with Clariti Strategic Advisors Inc. ("Clariti") of Toronto, pursuant to which Clariti will provide strategic and financial advisory services to the Company. In connection with Clariti's engagement, the Company has issued Clariti: (i) 2,300,000 stock options; and (ii) 2,300,000 restricted share units (each an "RSU"), pursuant to the Company's Option plan and RSU plan, respectively. Each Option is exercisable at a price of $0.175 per common share, expires ten years from the date of grant and vests only if there is, and prior to, a liquidity event (as such term is defined in the Partnership Agreement and excludes smaller capital raises). Each RSU expires ten years from the date of grant and vests only, (i) if there is, and prior to, a liquidity event (as such term is defined the Partnership Agreement and excludes smaller capital raises), and (ii) upon the Company receiving shareholder approval for the creation of the RSU plan, and shareholders ratifying this RSU grant, at the next meeting of shareholders of the Company.

On November 9, 2023, the University of Calgary, and Heroic Hearts Canada announced that they have completed a Letter of Intent, and received initial Ethics Board Approval, to initiate an Observational Trial on patients treated with MDMA through Health Canada's Special Access Program.

On November 15, 2023, the Company announced the GMP release of a second batch of MDMA capsules encapsulated at Filament's Metro Vancouver facility. The Company also reported on the execution of two exports by Filament, fulfilling contracts with Emyria and Monash University. The majority of the capsules manufactured in this Batch will be utilized in the Health Canada Special Access Program, as well as fulfillment of clinical trials in a variety of jurisdictions.

On January 8, 2024, the Company announced that it has received approval to move its PharmAla-1 (P1) molecule through the US Patent and Trademark Office (USPTO) Patent Prosecution Highway pathway based on the positive Patent Cooperation Treaty (PCT) initial office action previously announced by PharmAla. The Company attended the JPM Healthcare Conference in San Francisco on January 8$^{th}$-11$^{th}$, 2024, where it shared the recent developments for P-1 and its other research programs with potential pharmaceutical industry partners.

On January 24, 2024, the Company announced effective immediately that its ticker on the OTC was changed from PMBHF to MDXXF.

On January 25, 2024, the Company announced it had received a Controlled Drugs and Substances Dealer's License, which allows the Company to communicate directly with appropriate individuals about its MDMA and Psilocybin offerings.

On February 9, 2024, the Company announced that it has entered into a consulting relationship with Red Light Holland Corp. to consult on the development of clinical-grade Psilocybin Drug Product extracted from Red Light Holland Corp. mushroom portfolio.

On February 20, 2024, the Company announced that data from its computational Drug Discovery program, in conjunction with the University of Waterloo (laboratory of Dr. James Gauld) and made possible by funding from MITACS, will be published in the scientific journal ACS Chemical Neuroscience this week.

On February 22, 2024, the Company announced that it has been accepted as a client of Intellectual Property Ontario (IPON). IPON works with innovators, businesses, and researchers to provide access to expert IP education, financial support, and mentorship to help maximize the value of IP, strengthen their capacity to grow, compete in the market, and enhance research and commercialization outcomes. PharmAla is further pleased to note that IPON has approved its initial Scope of Work pertaining to the national phase entry into numerous markets of the PharmAla ALA and ABA molecule families and will provide a non-dilutive grant of approximately $35,000 to PharmAla to complete this work. IPON will cover up to 80% of eligible costs based on approved scopes of work. IPON clients have access to future calls of up to $100,000 of non-dilutive IP funding.

On February 27, 2024, the Company held is annual general and special meeting of the shareholders. The proposals outlined in the Voting Instruction Form were accepted by the shareholders, including the approval of a restricted share unit plan.

On March 8, 2024, the Company granted an aggregate of 2,050,000 RSUs to certain directors, officers, employees and consultants of the Company pursuant to the Equity Incentive Plan. A total of 950,000 RSUs granted vest quarterly over a one-year period with the remaining 1,100,000 RSUs vesting quarterly over a two year period.

On March 18, 2024, the Company announced that, through its joint venture, Cortexa Pty. Ltd. (Cortexa), in what is an Australian and the Company believes a world first, has supplied GMP Psilocybin for therapeutic use outside of a clinical trial to a patient under the authorised prescriber In doing so, Cortexa is now established as the only Australian company able to immediately supply and deliver both GMP MDMA and Psilocybin for both clinical trials and prescriptions via the TGA's Authorised Prescriber Scheme. scheme. The patient was being treated with Psilocybin for treatment resistant depression.

On March 20, 2024, the Company announced that allowance has been granted for the Composition of Matter of its PharmAla-1 (P-1) molecule by the US Patent and Trademark Office (USPTO).

On March 27, 2024, the Company announced that the USPTO has indicated it is issuing an allowance for the granting of a patent for ALA-002, the company's lead investigational MDXX Novel Chemical Entity (NCE). This provides the Company a strong basis for ongoing protection of this intellectual property (IP).

On April 5, 2024, the Company announced that, in another Australian first, its joint venture, Cortexa, is proud to have commenced batch manufacturing of GMP LaNeo® MDMA 40mg capsules to support both clinical trials and clinical use under the TGA's Authorised Prescriber pathway.

On April 19, 2024, the Company announced that it has closed its non-brokered private placement offering of units of the Company (each, a "Unit") at a price of $0.18 per Unit for aggregate gross proceeds of up to $750,000 (the "Offering"). Each Unit shall consist of one common share in the share capital of the Company and one-half of one warrant of the Company. Each warrant will entitle the holder thereof to acquire one additional common Share at a price of $0.27 prior to 4:30 pm (Toronto Time) on the date that is thirty six months following the closing date.

On May 3, 2024, the Company announced that it has officially launched its Prescribers Portal for medical practitioners with prescribing power to learn more about MDMA, its effects, and the potential ability to access the molecule for their patients.

On July 30, 2024, the Company announced that it completed all precedents relating to the transfer of intellectual property to Cortexa, and as such the Joint Venture is now permanent and irrevocable.

On July 30, 2024, the Company announced that the US Patent and Trademark Office (USPTO) has issued patent 12042478, supporting PharmAla's APA-001 composition of matter for ®-2-[(2H-1,3-Benzodioxol-5-YL)Methyl]Pyrrolidine.

On July 30, 2024, the Company announced that its Board of Directors had voted to approve a new contract for PharmAla's CEO, with 2 Million Restricted Share Units (RSUs), to be vested quarterly over one year, with all shares subject to a four month hold.

On August 9, 2024, the Company announced that the US Patent and Trademark Office (USPTO) has issued patent 12,053,452, supporting the composition of matter for its novel, non-racemic mixture of MDMA enantiomers, internally deemed ALA-002.

On August 22, 2024, the Company announced the appointment of Mr. William Avery, CPA, CA as Chief Financial Officer, effective October 1, 2024.

## EVENTS SUBSEQUENT TO AUGUST 31, 2025

*Resignation of Dr. Shane Morris*

Effective September 5, 2025, Dr. Shane Morris resigned as the Company's Chief Operating Officer. In relation to the COO's resignation, 187,500 RSU's and 330,000 stock options were cancelled.

*Debt Settlement*

Effective October 1, 2025, the Company settled C$150,000 of amounts owing to an arm's length creditor through the issuance of 1,666,667 common shares in the capital of the Company at the deemed price of C$0.09 per common share. The extinguishment of the liability at the market price of the common shares resulted in a loss on debt settlement of $58,333.

*Appointment of Dr. Farnoud Kazemzadeh as PharmAla's Chief Operating Officer*

Effective October 8, 2025, the Company appointed Dr. Farnoud Kazemzadeh as its Chief Operating Officer. The Company granted 1,000,000 stock options with an exercise price of $0.12 to the new COO, expiring October 3, 2030, vesting quarterly over one year.

*Resignation of Dr. Harriet De Wit from PharamAla's Board of Directors*

Effective October 8, 2025, Dr. Harriet De Wit resigned from the Company's Board of Directors.

*Completion of Import of LaNeo™ MDMA for U.S. Distribution*

Effective September 8, 2025, the Company completed import operations and release to the United States. PharmAla announced contracting of this new distribution site back on March 24, 2025.

PharmAla's agreement with its partner provides for a streamlined domestically stored GMP-compliant supply of LaNeo™ MDMA for all clients already contracted. It provides certainty against regulatory and import/export risks for any clients seeking MDMA for clinical trials in the United States.

*Filing of Amended and Restated Preliminary Base Shelf Prospectus*

Effective September 19, 2025, the Company filed an amended and restated preliminary short form base shelf prospectus to the Company's short form base shelf prospectus dated June 20, 2025. The preliminary short form base shelf prospectus was amended and restated to provide additional disclosures relevant to the Company and revise the magnitude of the offering of the securities to up to an aggregate offering price of $30,000,000.

*PharmAla signs Distribution Agreement with Veridion Group ("**Veridion**")*

On September 21, 2025, PharmAla signed a distribution agreement with Veridion of New Zealand to act as exclusive distribution agent for its LaNeo™ MDMA in the Netherlands market (the "**Veridion Distribution Agreement**"). The Veridion Distribution Agreement includes an annual purchase minimum (waived for the first year), as well as restrictions on re-export. PharmAla anticipates shipping to New Zealand from existing inventory allocated for its Australian operations.

*Appointment of Dr. Kiyan Afzali to PharmAla Australia's Board of Directors*

Effective October 1, 2025, PharmAla Australia appointed Dr. Kiyan Afzali to PharmAla Australia's board of directors for compensation of 225,000 RSU's with 18,750 vesting immediately and the balance vesting over a three-year period.

*Completion of Shipment of LaNeo™ MDMA to Johns Hopkins University*

On September 25 2025, the Company completed its shipment of LaNeo™ MDMA to Johns Hopkins University from its newly onboarded distribution site in the United States.

*Debt Settlement*

Effective October 1, 2025, the Company settled $150,000 worth of debt owing to an arm's length creditor through the issuance of 1,666,667 Common Shares at the deemed price of $0.09 per Common Share.

## 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.

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.

## SELECTED ANNUAL FINANCIAL INFORMATION

| | Year ended August 31, 2025 | Year ended August 31, 2024 | Year ended August 31, 2023 |
|---|---|---|---|
| Total assets | 3,419,882 | 2,898,244 | 2,412,538 |
| Total non-current liabilities | - | - | - |
| Total liabilities | 961,732 | 916,884 | 1,029,022 |
| Working capital | 685,132 | 126,562 | (315,072) |
| Total revenue | 605,498 | 1,035,297 | 532,003 |
| Net (loss) [(1)(2)] | (2,175,244) | (823,596) | (779,813) |
| Net (loss) per share, basic and diluted | (0.02) | (0.01) | (0.01) |

[(1)] The increase in net loss for fiscal year 2025 compared to fiscal year 2024 is primarily attributable to the lower year over year revenues earned from the sale of MDMA due to delays in fulfillment as well as increased non-cash expenses, such as stock-based compensation, as well as increases in costs due to hiring the CCO and CFO, as well as the additional legal and professional fees as a result of filing our short-form prospectus.

[(2)] The marginal increase in net loss for fiscal year 2024 compared to fiscal year 2023 is primarily attributable to the significant increase in revenues earned from the sale of MDMA.

The Company has not, since the date of its incorporation, declared or paid dividends on its common shares. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business.

## SELECTED QUARTERLY INFORMATION

The Financial Statements for the below quarters have been prepared in accordance with IFRS. The Company has consistently applied the accounting policies used in the preparation of the Financial Statements, including the comparative figures.

| Three Months Ended | Net Revenue ($) | Net Income (Loss) | |
|---|---|---|---|
| | | Total ($) | Per Share ($) |
| August 31, 2025 | 267,376 (1) | (361,134) (1) | (0.00) |
| May 31, 2025 | 135,168 (2) | (524,235) (2) | (0.00) |
| February 28, 2025 | 145,657 (3) | (810,766) (3) | (0.01) |
| November 30, 2024 | 57,297 (4) | (479,109) (4) | 0.00 |
| August 31, 2024 | 52,562 (1) | (224,355) (1) | (0.00) |
| May 31, 2024 | 139,847 (2) | (413,151) (2) | (0.00) |
| February 28, 2024 | 90,418 (3) | (222,567) (3) | (0.00) |
| November 30, 2023 | 752,470 (4) | 36,477 (4) | 0.00 |

Notes:
(1) Compared to the three months ended August 31, 2024, net loss increase due primarily to increase in professional fees, related to costs of filing the short form prospectus and additional audit and accounting costs, further professional fees in August 31, 2024 were reduced by grant funding received of $130,000, the expense increase was partially offset by an increase in revenues.
(2) Increased net loss due to $189,904 of stock based compensation.
(3) Increased net loss due to $440,000 of stock based compensation and cessation of capitalization of development costs, resulting in increased payroll costs and research costs.
(4) Increased net loss due to lower revenues, partially offset by better cost management.

## RESULTS OF OPERATIONS

Three months ended August 31, 2025, compared with the three months ended August 31, 2024

The following table provides an explanation of the significant increases and decreases for the three months ended August 31, 2025 compared to the three months ended August 31, 2024:

| | 2025 | 2024 | Variance | Comments |
|---|---|---|---|---|
| Revenue | $267,376 | $82,688 | $184,688 | With our new distribution partner for Canada, we resumed SAP shipments and we used this same distribution partner to fulfill some clinical trial sales. As a result, product sales increased by approximately $185k over the three month period. Whereas the change in COGS is primarily caused by the recovery in the final three months of 2024 related to undercapitalization of inventory in previous quarters. |
| Cost of goods sold | ($34,039) | $149,106 | (183,145) | 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. Shipment of the goods enables us to recognize the related revenue, which is currently reflected in the balances of Customer Deposits and is generally 50% of the revenue amount that will be recognized on shipment. |
| Investor relations | ($70,232) | ($40,819) | (29,413) | Investor relations costs increased due to attendance at investor conferences, a higher volume of press releases, more regulatory and transfer agent filings and the costs of the Management Information Circular and Annual Information Form. |
| Research costs | ($44,909) | ($75,530) | 30,621 | The decrease in research costs is primarily driven by less usage of third party contractors year over year. Further, in 2024 there was a manufacturing run and samples have to be sent for stability testing and quality control; these samples are expensed. |

| | | | | |
|---|---|---|---|---|
| Payroll expenses | ($92,837) | ($34,246) | (58,591) | The primary changes relate to costs for our Vice President of Research, who's cost in the prior periods was capitalized into the MDXX Molecules. Since capitalization of those development costs have ceased (the only capitalization relates to incremental patent work by IP counsel) those costs are expensed as incurred. |
| Professional fees | ($167,086) | $71,585 | (238,671) | The change is due to the prior year including IPON grant recovery of $130,000 and a further increase in legal costs due to the securities filings and costs peripheral to our internal counsel. |
| Stock based compensation | ($68,539) | ($243,570) | 175,031 | The Company has granted significant RSU and option awards for which the vesting terms and corresponding expenses were generally recogized earlier in fiscal 2025 and late fiscal 2024. |
| Other expenses and revenue | (167,807) | (100,369) | (67,438) | Other expenses consists of bad debts, depreciation and amortization, office and general, including foreign exchange, consulting and travel, the overall increase is primarily due to $45k of withholding taxes paid on payments received from Cortexa. |
| **Net Loss and Comprehensive Loss** | **($378,073)** | **($191,155)** | **($186,918)** | |
| Stock based compensation | $68,539 | $243,570 | 175,031 | After adjusting for the noted non-cash items, Adjusted EBITDA reflects a larger loss due to the overall increase of expenditures discussed above. |
| Depreciation and amortization | $29,193 | $22,862 | (6,331) | |
| **Adjusted EBITDA** | **($309,568)** | **$63,277** | **($372,845)** | |

Year ended August 31, 2025, compared with the year ended August 31, 2024

The following table provides an explanation of the significant increases and decreases for the year ended August 31, 2025 compared to the year ended August 31, 2024:

| | 2025 | 2024 | Variance | Comments |
|---|---|---|---|---|
| Revenue | $605,498 | $1,035,297 | ($429,799) | With our new distribution partner for Canada, we resumed SAP shipments and we used this same distribution partner to fulfill clinical trial sales; however, due to not having a distribution partner in Q1 2025 our results generally reflect 3 months of operations as we weren't able to fulfill any orders until the distribution partners were onboarded.<br>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. Shipment of the goods enables us to recognize the related revenue, which is currently reflected in the balances of Customer Deposits and is generally 50% of the revenue amount that will be recognized on shipment. |
| Cost of goods sold | ($53,162) | ($147,856) | $94,694 | |
| Consulting | ($210,064) | ($264,380) | $54,316 | The decrease in consulting fees is primarily to a $48k decrease in costs related to a former sales consultant who moved to a commission only structure part way through fiscal 2024. The remaining decrease is related to non-recurring strategic consulting expenses incurred in fiscal 2024. |
| Depreciation and amortization | ($117,047) | ($70,209) | ($46,838) | Increase is due to the commencement of amortization in Q4 2024 on the Company's remaining intangible assets and 2025 representing a full year of amortization. |
| Investor relations | ($143,152) | ($89,165) | ($53,987) | Investor relations costs increased due to attendance at investor conferences, a higher volume of press releases, more regulatory and transfer agent filings and the costs of the Management Information Circular and Annual Information Form. |
| Research costs | ($243,935) | ($125,287) | ($118,648) | The Company expensed more research costs as there was less capitalization of research expenses during the period. Specifically, the increase in research costs is related to our research program with UAMS, which previously was capitalized as the work UAMS did supported the patent applications; however, now that those patents have been secured, the ongoing research program is being expensed. |
| Payroll expenses | ($355,281) | ($94,196) | ($261,085) | The primary changes relate to costs for the CEO moving from a consulting contract onto payroll and the prior year payroll for our Vice President of Research, who's cost in the prior periods was capitalized into the MDXX Molecules. Since capitalization of those development costs ceased in Q4 2024 the expense in 2025 represents a full year of the payroll costs being expensed as incurred (the only capitalization relates to incremental patent work by IP counsel). |

| | | | | |
|---|---|---|---|---|
| Professional fees | ($412,210) | ($163,583) | ($248,627) | The increase in professional fees is primarily related to the full year cost of our Chief Commercial Officer, who is also our internal legal counsel. Additionally, we brought on a notable PR firm to assist with marketing and SEO services, which accounted for approximately $23k of the increase. Finally, $56k of the increase is related to legal and accounting costs related to filing our short form prospectus and the related interim reviews of our financial statements. |
| Stock based compensation | ($925,178) | ($541,324) | ($383,854) | The Company has granted significant RSU and option awards and the additional expense is simply due to the timing of the related vesting period. |
| Joint venture share of losses | ($17,030) | $- | ($17,030) | During the period, the Company granted a discount on the outstanding license royalty receivable as a contribution in kind to the joint venture, resulting in the recognition of the corresponding amount of losses. |
| Deferred joint venture profit on sales | $30,643 | ($157,430) | $188,073 | The Company is required to defer its portion of sales to Cortexa that have not yet been realized as sales by Cortexa to third parties and recognizes an income inclusion when there are additional sales. As a result of additional sales made by Cortexa during the year, the Company is able to recognize $31k of this previous deferral. |
| 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 | (298,694) | (205,463) | ($93,231) | Other expenses consists of bad debts, office and general, including foreign exchange, consulting and travel, the overall increase is primarily due to $45k of withholding taxes paid on payments received from Cortexa, a $16k increase in marketing expenses for social media marketing, $5k spent on developing our SAP portal with the remaining fluctuation due to foreign exchange. |
| **Net Loss and Comprehensive Loss** | **($2,175,244)** | **($823,596)** | **($1,351,648)** | |
| Stock based compensation | $925,178 | $541,324 | (383,854) | The change in Adjusted EBITDA is primarily due to the decrease in revenue over the period offset by a decrease in operating expenses, once non-cash expenses are adjusted out. |
| Depreciation and amortization | $117,047 | $70,209 | (46,838) | |
| Loss on debt settlement | $35,632 | $- | (35,632) | |
| Deferred joint venture profit on sales | ($30,643) | $157,430 | 188,073 | |
| **Adjusted EBITDA** | **($1,128,030)** | **($54,633)** | **($1,073,397)** | |

## Off-Balance-Sheet Arrangements

As of the date of this 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 August 31, 2025, the Company also had 4,701,301 options which are exercisable that would raise $464,000 and 6,311,442 warrants that would raise another $1.7 million, 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 August 31, 2025, the Company had a cash balance of $40,187 (2024 - $419,379) as a result of cash outflows in operating activities of $1,043,697 (2024 - $321,360), cash outflows in investing activities of $935,267 (2024 - $226,419), and cash inflows from financing

activities of $1,599,772 (2024 - $772,116).

Operating activities were affected by net loss of $2,175,244 (2024 - $823,596), items not affecting cash of $957,073 (2024 - $899,563), and net non-cash working capital balances of $174,474 (2024 – ($397,327)). Items not affecting cash consisted of depreciation and amortization of $117,047 (2024 - $70,209), stock based compensation of $925,178 (2024 - $541,324), shares issued for services $100,000 (2024 - $108,000), bad debt expense of $14,830 (2024 - $22,600), deferred joint venture profit on sales recognized of $30,643 (2024 – deferral $157,430), $32,189 of joint venture share of losses, loss on debt settlement and accrued interest income (2024 - $0) and $201,528 of non-cash contract asset, which is included in other assets.

Net change in the non-cash working capital balance consisted of additions to inventory of $16,175 (2024 – 231,342) and reduction of accounts payable of $518 (2024 - reduction of accounts payable of $34,818). These decreases were partially offset by increases due to collection of accounts receivable of $110,724 (2024 – increase in accounts receivable of $8,018), reduction of prepaid expenses, deposits and other assets of $6,725 (2024 – $114,074) and recognition of customer deposits of $67,461 (2024 – deferral of $234,750).

Investing activities cash outflows were due to intangible asset development costs of $35,267 (2024 - $226,419), the decrease in which was due to the cessation of capitalizing the development costs. Further, the Company invested the proceeds from its private placements into short term investments in the amount of $1,244,380, some of which were redeemed to fund operating activities, being $344,380.

Financing activities cash inflows were due the proceeds from private placement of $1,527,572 (2024 - $697,116) and exercise of stock options of $42,500 (2024 - $75,000) and exercise of warrants for $29,700 (2024 - $0).

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. As at August 31, 2025, the Company accrued license revenue receivable of $18,433 (AUS 20,833; August 31, 2024 - $18,949 (AUS 20,833)).

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, warrants, contributed surplus and accumulated deficit, which at August 31, 2025 totaled equity of $2,458,150 (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 material 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"). The CFO contract was terminated and officially ended September 30, 2024; however, entities related to the former CFO continued to provide various services to the Company, as further described below. During the year ended August 31, 2025, the Company paid for professional fees of $60,949 (2024 – $78,801) 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 August 31, 2025, the Marrelli Group was owed $5,006 (2024 - $3,571), 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 year ended August 31, 2025, the Company incurred consulting and payroll fees of $170,000 (2024 - $146,167) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at August 31, 2025, the CEO and companies controlled by the CEO were owed $10,525 (August 31, 2024 - $nil) inclusive of HST, and this amount was included in accounts payables and accrued liabilities. During the year the CEO also received RSU’s resulting in stock-based compensation of $180,059 (2024 - $39,941).

During the year ended August 31, 2025, the Company incurred consulting fees of $96,000 (2024 – 105,836) 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 August 31, 2025, the Company has accrued $16,000 for consulting fees due to the COO (2024 - $27,654). During the year ended August 31, 2025, the COO also received RSU’s resulting in stock-based compensation of $61,337 (2024 - $82,654) and stock options resulting in stock-based compensation of $3,395 (2024 – 2,998).

During the year ended August 31, 2025, the Company incurred $79,000 in consulting fees (2024 - $5,000) to a company owned by the successor CFO, of which $nil was included in accounts payable and accrued liabilities. During the year ended August 31, 2025, the

successor CFO also received RSU's resulting in stock-based compensation of $234,418 (2024 - $nil) and stock options resulting in stock-based compensation of $2,615 (2024 – $nil).

The Chief Commercial Officer ("CCO") was appointed in March 2025, during the year ended August 31, 2025, the Company incurred $113,028 (2024 - $nil) to companies owned by the CCO for services as the CCO and for legal services. During the year ended August 31, 2025, the CCO also received RSU's resulting in stock-based compensation of $125,000 (2024 - $nil) and stock options resulting in stock-based compensation of $2,615 (2024 – $nil).

See notes 8, 9 and 10.

During the year ended August 31, 2025, the Company incurred stock-based compensation expense to directors and officers of $566,697 (2024 - $275,743).

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.

## 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.

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

## FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity and equity price risk). There were no changes to the Company's risk factors during the year ended August 31, 2025.

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at August 31, 2025, management believes that the credit risk with respect to cash and cash equivalents, subscription receivables and accounts receivable is minimal. The accounts receivable are primarily from large research institutions at reputable educational institutions, whereby the credit risk from these entities is minimal and the Company further mitigates that risk by receiving up front deposits.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due.

The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2025, the Company had cash of $40,000 and short term investments of $920,000 to settle current liabilities of $961,732. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market risk factors. The Company is not exposed to significant market risk as its short-term investments are held in a short term GIC investment.

## SHARE CAPITAL

As of the date of this MD&A, the Company had 108,887,215 issued and outstanding common shares, and had no special warrants outstanding.

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

| Warrants | Expiry Date | Exercise Price ($) |
|---|---|---|
| 1,973,331 | April 19, 2027 | 0.27 |
| 4,338,111 | December 20, 2027 | 0.27 |

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

| Options | Grant Date |
|---|---|
| 2,300,000 | November 3, 2023 |
| 93,750 | March 8, 2024 |
| 187,500 | October 1, 2025 |

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

| Options | Grant Date |
|---|---|
| 500,000 | February 2, 2025 |
| 1,000,000 | February 6, 2025 |

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

| Options | Expiry Date | Exercise Price ($) |
|---|---|---|
| 160,000 | March 23, 2026 | 0.05 |
| 1,025,000 | June 18, 2026 | 0.1 |
| 330,000 | August 12, 2026 | 0.1 |
| 750,000 | January 5, 2027 | 0.1 |
| 1,750,000 | January 5, 2027 | 0.1 |
| 300,000 | July 13, 2027 | 0.1 |
| 2,300,000 | November 6, 2033 | 0.18 |
| 1,500,000 | May 29, 2030 | 0.105 |
| 1,000,000 | October 3, 2030 | 0.105 |

## RISKS AND UNCERTAINTIES

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition, results of operations and/or reputation of the Company. The risk assessment section can be found in the Company's Annual Information Form (AIF) of the fiscal year ended August 31, 2024.

## DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (a) the audited 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 financial statements and (b) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which 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 the Certificate are not making any representations relating to the establishment and maintenance of:

i. 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

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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 this 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.