

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: **Pharmala Biotech Holdings Inc.** (the “Issuer”).

Trading Symbol: **MDMA**

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This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Nicholas Kadysh	President, CEO, Director
Fraser Macdonald	Director
Perry Tsergas	Director
Jodi Butts	Director
Abdelmalik Slassi	Director
Dr. Harriet De Wit	Director
Kevin Roy	Director
Carmelo Marrelli	CFO
Shane Morris	COO

#### **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated September 14, 2022.

Nick Kadysh  
Name of Director or Senior Officer

"Nick Kadysh"  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer  <b>Pharmala Biotech Holdings Inc.</b>	For Quarter End  <b>May 31 2022</b>	Date of Report YY/MM/DD  <b>22/09/14</b>
Issuer Address  <b>82 Richmond Street East,</b>		
City/Province/Postal Code  <b>Toronto, Ontario M5C 1P1</b>	Issuer Fax No. (   )	Issuer Telephone No.  <b>(855) 444-6362</b>
Contact Name  <b>Nicholas Kadysh</b>	Contact Position  <b>Director &amp; CEO</b>	Contact Telephone No.  <b>(855) 444-6362</b>
Contact Email Address  <b>nick@pharmala.ca</b>	Web Site Address  <b>https://pharmala.ca</b>	

**FORM 5 – QUARTERLY LISTING STATEMENT**

January 2015

Page 6

Schedule A

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**PHARMALA BIOTECH HOLDINGS INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022**  
**AND PERIOD FROM DECEMBER 23, 2020**  
**(DATE OF INCORPORATION) TO MAY 31, 2021**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of PharmAla Biotech Holdings Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

**PharmAla Biotech Holdings Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

<b>As at,</b>	<b>May 31, 2022</b>	<b>August 31, 2021</b>
<b>ASSETS</b>		
<i>Current</i>		
Cash	\$ 1,200,875	\$ 2,472,380
Work in progress	35,739	-
Subscription receivables	4,000	4,000
HST receivable	66,099	55,578
Prepaid expenses and deposit (note 11)	58,457	-
Inventory	77,776	-
<i>Total current assets</i>	<b>1,442,946</b>	<b>2,531,958</b>
Fixed assets (note 3)	4,210	2,364
Intangible asset (note 4)	824,256	259,518
<b>Total assets</b>	<b>\$ 2,271,412</b>	<b>\$ 2,793,840</b>
<b>LIABILITIES</b>		
<i>Current</i>		
Accounts payables and accrued liabilities (note 11)	\$ 299,199	\$ 138,479
<b>Total liabilities</b>	<b>299,199</b>	<b>138,479</b>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 7)	4,831,536	2,195,844
Contributed surplus (note 8)	253,606	142,619
Special warrants (note 6)	-	2,635,692
Warrants (note 9)	190,272	190,272
Deficit	(3,303,201)	(2,509,066)
<b>Total shareholder's equity</b>	<b>1,972,213</b>	<b>2,655,361</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 2,271,412</b>	<b>\$ 2,793,840</b>

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

\_\_\_\_\_  
 "Nicholas Kadysh"  
**Director**

\_\_\_\_\_  
 "Kevin Roy"  
**Director**

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



**PharmAla Biotech Holdings Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

				Period from incorporation on December 23, 2020 to May 31, 2021
	<b>Three Months May 31, 2022</b>	<b>Three Months May 31, 2021</b>	<b>Nine Months May 31, 2022</b>	
<b>Revenue</b>	<b>\$ 70,523</b>	<b>\$ -</b>	<b>\$ 70,523</b>	<b>\$ -</b>
<b>Cost of sales</b>	<b>1,854</b>	<b>-</b>	<b>1,854</b>	<b>-</b>
<b>Gross profit</b>	<b>68,669</b>	<b>-</b>	<b>68,669</b>	<b>-</b>
<b>Expenses</b>				
Consulting (note 11)	79,304	65,325	268,936	76,325
Depreciation (note 3)	445	101	1,143	101
Investor relations	18,217	19,150	107,771	29,650
Office and general	79,688	9,097	135,981	14,747
Payroll expenses	62,550	3,214	121,304	3,214
Professional fees (note 11)	20,079	82,659	116,682	92,048
Stock based compensation (note 8 and 11)	14,467	54,107	110,987	54,107
Transaction costs (note 5)	-	2,083,570	-	2,083,570
<b>Total expenses</b>	<b>274,750</b>	<b>2,317,223</b>	<b>862,804</b>	<b>2,353,762</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (206,081)</b>	<b>\$ (2,317,223)</b>	<b>\$ (794,135)</b>	<b>\$ (2,353,762)</b>
<b>Net loss and comprehensive loss per share</b>				
- basic and diluted (note 10)	\$ 0.00	\$ 0.06	\$ 0.01	\$ 0.10
<b>Weighted average number of common shares outstanding</b>				
- basic and diluted (note 10)	82,998,600	41,147,967	76,443,053	23,287,237

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

**PharmAla Biotech Holdings Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>Nine Months May 31, 2022</b>	Period from incorporation on December 23, 2021 to May 31, 2021
<b>Operating activities</b>		
Loss for the period	\$ (794,135)	\$ (2,353,762)
<i>Items not affecting cash:</i>		
Depreciation (note 3)	1,143	101
Stock based compensation (note 8)	110,987	54,107
Transaction costs	-	2,083,570
<i>Changes in non-cash working capital items:</i>		
Subscription receivables	-	26,000
Work in progress	(35,739)	-
Prepaid expenses and deposit	(58,457)	-
HST receivable	(10,521)	(27,744)
Inventory	(77,776)	-
Accounts payables and accrued liabilities	160,720	385,665
Net cash used in provided by operating activities	(703,778)	167,937
<b>Investing activities</b>		
Purchase of capital assets (note 3)	(2,989)	(2,667)
Intangible asset development costs (note 4)	(564,738)	(157,872)
Cash obtained from RTO (note 5)	-	891,500
Net cash used in investing activities	(567,727)	730,961
<b>Financing activities</b>		
Share issuance (net of issuance costs) (note 7)	-	83,444
Special warrants (net of issuance costs) (note 6)	-	1,933,294
Net cash provided by financing activities	-	2,016,738
<b>(Decrease) increase in cash</b>	<b>(1,271,505)</b>	<b>2,915,636</b>
<b>Cash, beginning of period</b>	<b>2,472,380</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 1,200,875</b>	<b>\$ 2,915,636</b>

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

**PharmAla Biotech Holdings Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Number of Shares	Share Capital	Special Warrants	Warrants	Contributed Surplus	Deficit	Total
<b>Balance, December 23, 2020</b> <b>(date of incorporation)</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Share issuance (net of costs) (note 7)	5,000,000	83,444	-	-	-	-	83,444
Elimination of PharmAla Biotech Inc. shares	(5,000,000)	-	-	-	-	-	-
Issuance of shares on RTO transaction	40,000,000	-	-	-	-	-	-
Conversion of PharmAla Biotech Holdings Inc., for Reverse take-over transaction (note 5)	1,185,000	2,000,000	842,568	162,502	-	-	3,005,070
Special warrants issued (net of transaction costs) (note 6 and 7)	1,124,000	112,400	1,793,124	27,770	-	-	1,933,294
Stock based compensation (note 8)	-	-	-	-	54,107	-	54,107
Net loss for the period	-	-	-	-	-	(2,353,762)	(2,353,762)
<b>Balance, May 31, 2021</b>	<b>42,309,000</b>	<b>\$2,195,844</b>	<b>\$ 2,635,692</b>	<b>\$ 190,272</b>	<b>\$ 54,107</b>	<b>\$ (2,353,762)</b>	<b>\$ 2,722,153</b>
<b>Balance, August 31, 2021</b>	<b>42,309,000</b>	<b>\$2,195,844</b>	<b>\$ 2,635,692</b>	<b>\$ 190,272</b>	<b>\$ 142,619</b>	<b>\$ (2,509,066)</b>	<b>\$ 2,655,361</b>
Conversion of special warrants issued (net of transaction costs) (note 6 and 7)	40,689,600	2,635,692	(2,635,692)	-	-	-	-
Stock based compensation (note 8)	-	-	-	-	110,987	-	110,987
Net loss for the period	-	-	-	-	-	(794,135)	(794,135)
<b>Balance, May 31, 2022</b>	<b>82,998,600</b>	<b>\$4,831,536</b>	<b>\$ -</b>	<b>\$ 190,272</b>	<b>\$ 253,606</b>	<b>\$ (3,303,201)</b>	<b>\$ 1,972,213</b>

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

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**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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 is a Canadian Biotechnology company dedicated to the manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community.

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.

On March 19, 2021, Holdings Inc. issued 40,000,000 common shares as consideration for acquisition of the 5,000,000 outstanding 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" in these consolidated financial statements.

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".

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the nine months ended May 31, 2022, the Company reported a net loss of \$794,135 (period for incorporation to May 31, 2021 - \$2,353,762). The Company has cash balance of \$1,200,875 (August 31, 2021 - \$2,472,380) however the Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that might cause significant doubt regarding the going concern assumption.

These unaudited condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying unaudited condensed interim consolidated financial statements. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. To date, there has been no impact to the Company's operations or its ability to execute its business plan.

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The preparation of financial statements in accordance with International Accounting Standards (IAS) 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these unaudited condensed interim consolidated financial statements were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended August 31, 2022, except as noted below.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2021, other than those noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2022 could result in restatement of these unaudited condensed interim consolidated financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed interim consolidated financial statements were issued and effective as of July 29, 2022, the date the Board of Directors approved the statements.

### **Revenue recognition**

The percentage-of-completion method requires the use of estimates to determine the stage of completion which is used to determine the recorded amount of revenue, unbilled revenue and deferred revenue on uncompleted contracts. The determination of anticipated revenues includes the contractually agreed revenue and may also involve estimates of future revenues if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, including the cost of materials, labour, and sub-contractors. The determination of estimates is based on the Company's business practices as well as its experience.

### **Inventories**

Inventories are stated at the lower of production cost and net realizable value. Production costs include direct and indirect labour, operating materials and supplies, transportation costs, and an appropriate portion of fixed and variable overhead expenses. Inventories are accounted for on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**2. BASIS OF PREPARATION (Continued)**

**Accounting Standards Issued but not yet Applied**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2022 or later periods.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

**3. EQUIPMENT**

<b>Equipment</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Net book value</b>
<b>Balance, August 31, 2021</b>	<b>\$ 2,667</b>	<b>\$ 303</b>	<b>\$ 2,364</b>
Additions	2,989	1,143	1,846
<b>Balance, May 31, 2022</b>	<b>\$ 5,656</b>	<b>\$ 1,446</b>	<b>\$ 4,210</b>

**4. INTANGIBLE ASSETS**

Intangible assets consist of deferred development costs for internally generated intangible assets such as:

- Patents of novel MDXX class compounds, as well as novel synthesis routes to manufacture these molecules;
- Development of manufacturing pathways allowing for the manufacture and testing of clinical-grade MDMA at scale; and
- The development of novel delivery mechanisms for non-scheduled, and MDMA and MDXX class compounds.

**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**4. INTANGIBLE ASSETS (Continued)**

	MDMA & MDXX	Non-scheduled	Total
<b>Balance, August 31, 2021</b>	<b>\$ 259,518</b>	<b>\$ -</b>	<b>\$ 259,518</b>
Additions <sup>(i)</sup>	301,218	263,520	564,738
<b>Balance, May 31, 2022</b>	<b>\$ 560,736</b>	<b>\$ 263,520</b>	<b>\$ 824,256</b>

<sup>(i)</sup> No amortization was taken on these costs as these assets are not yet available for use.

**5. REVERSE TAKEOVER**

On March 15, 2021, Holdings Inc. entered into a Share Exchange Agreement ("SEA") with the shareholders of PharmAla. Under the terms of the SEA, PharmAla shareholders exchanged their 5,000,000 common shares for 40,000,000 of Holdings Inc. The percentage of ownership Holdings shareholders had in the combined entity was 3% after the issue of 40,000,000 Holdings shares to the former PharmAla Shareholders. The following table represents the share capital of each company prior to the RTO:

	Number of Common Shares	Amount (\$)
<b>Holdings Inc.</b>		
Balance prior to RTO	1,185,000	53,250
<b>PharmAla</b>		
Balance prior to RTO	5,000,000	83,444

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as Holdings Inc. does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with PharmAla being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of PharmAla.

IFRS 2, Share-based Payment, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because PharmAla would have issued shares with a value in excess of the net assets received, the difference is recognised in comprehensive loss as a RTO transaction cost. The amount assigned to the transaction cost of \$2,083,570 is the difference between the fair value of the consideration and the net identifiable assets of Holdings acquired by PharmAla and included in the consolidated statement of loss and comprehensive loss.

The fair value of the consideration in the RTO is equivalent to the fair value of the 20,492,000 special warrants to Holdings Inc. special warrant holders, 40,000,000 Holdings Inc. common shares issued to PharmAla shareholders, and 6,235,000 warrants to Holdings Inc. warrant holders. The fair value of the 40,000,000 shares controlled by the PharmAla shareholders in Holdings Inc. was estimated to be \$2,000,000 based on the fair market value of \$0.05 per share in the special warrant private placement of Holdings Inc. in February 2021. The fair value of the special warrants was estimated to be \$1,024,600 based on the fair market value of \$0.05 per share in the special warrant private placement of Holdings Inc. in February 2021 as each special warrant entitled the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder, one common share of the Company upon conversion. The Company also incurred transaction costs of \$182,032 in connection with the special warrants. The fair value of the warrants was estimated to be \$162,502 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 0.26%; and an expected life of 1.87 to 1.92 years.

**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**5. REVERSE TAKEOVER (Continued)**

On March 19, 2021, the RTO was completed. Based on the financial position of Holdings Inc. at the time of the RTO, the net assets at estimated fair value that were acquired by PharmAla were \$921,500 and the resulting transaction cost charged to the consolidated statement of loss and comprehensive loss is as follows:

<b>Consideration</b>		
Common shares	\$	2,000,000
Special warrants (net of transaction costs)		842,568
Warrants		162,502
<b>Total consideration</b>	<b>\$</b>	<b>3,005,070</b>
<b>Identifiable assets acquired</b>		
Cash and cash equivalents	\$	891,400
Subscription receivable		30,100
<b>Total identifiable assets acquired</b>		<b>921,500</b>
<b>Unidentifiable assets acquired</b>		
Transaction cost		2,083,570
<b>Total net identifiable assets and transaction cost</b>	<b>\$</b>	<b>3,005,070</b>

**6. SPECIAL WARRANTS**

As at August 31, 2021, the Company has 40,689,600 special warrants with a gross value of \$3,044,360, in connection the Company incurred transaction costs of \$408,668. Each special warrant entitles the holder thereof to automatically receive, without payment of additional consideration and without further action on the part of the holder, one common share of the Company.

On September 30, 2021, the 40,689,600 special warrants were converted into 40,689,600 common shares for no additional consideration.

**7. SHARE CAPITAL**

**Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**Common shares issued**

	<b>Number of Shares</b>	<b>Share Capital</b>
<b>Balance, upon incorporation</b>	-	\$ -
Private placement (net of costs) (i)	5,000,000	83,444
Elimination of PharmAla Biotech Inc. shares	(5,000,000)	-
Issuance of shares on RTO transaction	40,000,000	-
Conversion of PharmAla Biotech Holdings Inc., for reverse takeover transaction (note 5)	1,185,000	2,000,000
Finders fees related to special warrants (note 6)	1,124,000	112,400
<b>Balance, May 31, 2021</b>	<b>42,309,000</b>	<b>\$ 2,195,844</b>
<b>Balance, August 31, 2021</b>	<b>42,309,000</b>	<b>\$ 2,195,844</b>
Conversion of special warrants (note 6)	40,689,600	2,635,692
<b>Balance May 31, 2022</b>	<b>82,998,600</b>	<b>\$ 4,831,536</b>



**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**7. SHARE CAPITAL (Continued)**

(i) On December 23, 2020 (date of incorporation), the Company issued 5,000,000 common shares at \$0.02 per share for gross proceeds of \$100,000, and incurred transaction costs of \$16,556.

(ii) On May 14, 2021, the Company issued 1,124,000 common shares at a deemed price of \$0.10 per share for services with a value of \$112,400.

**8. STOCK OPTIONS**

The Company has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan"). Options may be granted for a maximum term of ten years from the date of the grant. They are not transferable. Unless the Board determines otherwise, options shall be exercisable in whole or in part at any time during this period. Options expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

The Company had the following activity regarding stock options during the nine months ended May 31, 2022. No stock options were issued during the comparative period.

	<b>Number of Stock options</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance, upon incorporation (December 23, 2020)</b>	-	-
Issued (i)	2,860,000	0.05
<b>Balance, May 31, 2021</b>	<b>2,860,000</b>	<b>0.05</b>
<b>Balance, August 31, 2021 and May 31, 2022</b>	<b>5,010,000</b>	<b>0.07</b>

During the three and nine months ended May 31, 2022, the Company recorded \$13,230 and \$30,661 related to options granted during the year ended August 31, 2021, not inclusive of the item below.

- (i) On March 23, 2021, the Company granted stock options to directors, officers and advisors to purchase 2,860,000 common shares of the Company at an exercise price of \$0.05 for a period of 5 years following the date of grant. Included in the 2,860,000 options are 550,000 options which vest immediately, the remaining options vest 25% every three months. The options were valued at \$106,200 using a Black-Scholes valuation model with the following assumptions: share price of \$0.05 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.95%, and expected life of 5 years. During three and nine months ended May 31, 2022, the Company recorded stock based compensation expense of \$1,237 and \$23,446 (three months ended May 31, 2021, and for the period from incorporation to May 31, 2021 - \$54,107) related to this grant of stock options.

The following table reflects the stock options issued and outstanding as of May 31, 2022:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (Exercisable)</b>
August 12, 2023	0.10	1.20	70,000	70,000
March 23, 2026	0.05	3.81	2,860,000	1,732,500
June 18, 2026	0.10	4.05	1,700,000	850,000
August 12, 2026	0.10	4.20	380,000	95,000
<b>Total</b>	<b>0.07</b>	<b>3.88</b>	<b>5,010,000</b>	<b>2,747,500</b>

**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 2022 and**  
**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**9. WARRANTS**

The Company had the following activity regarding warrants during the nine months ended May 31, 2022. No warrants were issued during the comparative period.

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance, upon incorporation (December 23, 2020)</b>	-	-
Issued (ii)	531,952	0.10
Reverse takeover transaction (i)	6,235,000	0.05
<b>Balance, May 31, 2021, August 31, 2021, and May 31, 2022</b>	<b>6,766,952</b>	<b>0.05</b>

- (i) On March 19, 2021, the Company completed a reverse takeover transaction with Holdings Inc., as part of the compensation the Company issued 6,235,000 warrants (note 5), a Company controlled by a Director and Officer was granted a total of 1,000,000 warrants. Each warrant is exercisable to acquire one common share at a price of \$0.05 for a period of approximately 23 months. The warrants were valued at \$162,502 using a Black-Scholes valuation model with the following assumptions: share price of \$0.05 per common share, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.26%, and expected life of 2 years.
- (ii) On May 14, 2021, the Company issued 531,952 agent warrants at the time closing of special warrants. Each agent warrant is exercisable to acquire one common share at a price of \$0.10 for a period of 24 months. The agent warrants were valued at \$27,770 using a Black-Scholes valuation model with the following assumptions: share price of \$0.10 per common share, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.32%, and expected life of 2 years.

The following table reflects the actual warrants issued and outstanding as of May 31, 2022:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Warrants Outstanding</b>
February 1, 2023	0.05	0.67	5,250,000
February 5, 2023	0.05	0.68	870,000
February 16, 2023	0.05	0.72	115,000
May 14, 2023	0.10	0.95	531,952
		0.69	6,766,952

**10. LOSS PER SHARE**

For the three and nine months ended May 31, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$206,081 and \$794,135, respectively (three months ended May 31, 2021, and for the period from incorporation to May 31, 2021 - \$2,317,223 and \$2,353,762, respectively) and the weighted average number of common shares outstanding of 82,998,600 and 76,443,053, respectively (three months ended May 31, 2021, and for the period from incorporation to May 31, 2021 - 41,147,967 and 23,287,237, respectively).

## **11. 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 Chief Financial Officer ("CFO") of the Company is the managing director of Marrelli Support Services Inc. ("MSSI"). During three and nine months ended May 31, 2022, the Company incurred professional fees of \$4,619 and \$7,026, respectively (for the period from incorporation to May 31, 2021 - \$nil) to MSSI. These services were incurred in the normal course of operations for CFO fees, general accounting and financial reporting matters. As at May 31, 2022, the Company had a deposit of \$583 (August 31, 2021 - \$nil) with MSSI. As at May 31, 2022 MSSI was owed \$nil (August 31, 2021 - \$15,126), inclusive of HST with respect to services provided, and this amount was included in accounts payable and accrued liabilities.

Marrelli Trust Company Limited ("Marrelli Trust") is affiliated with MSSI through common ownership. During three and nine months ended May 31, 2022, the Company incurred transfer agent fees of \$5,520 (for the period from incorporation to May 31, 2021 - \$nil) to Marrelli Trust. These services were incurred in the normal course of operations for stock transfer services.

During three and nine months ended May 31, 2022, the Company incurred consulting and payroll fees of \$35,358 and \$72,000 (for the period from incorporation to May 31, 2021 - \$nil) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at May 31, 2022, the CEO and companies controlled by the CEO were owed \$10,170 inclusive of HST, and this amount was included in accounts payable and accrued liabilities.

On March 23, 2021, the Company granted 2,100,000 stock options to directors, and officers (note 8(i)).

During the three and nine months ended May 31, 2022, the Company incurred stock based compensation expense of \$31,143 and \$90,415, respectively (for the three months ended May 31, 2021, and for the period from incorporation to May 31, 2021 - \$31,620).

**Schedule B**

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**PHARMALA BIOTECH HOLDINGS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
QUARTERLY HIGHLIGHTS  
THREE AND NINE MONTHS ENDED MAY 31, 2022  
(EXPRESSED IN CANADIAN DOLLARS)**

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## **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 Biotech Inc. is a Canadian Biotechnology company dedicated to the manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community.

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.

The following interim Management's Discussion and Analysis ("Interim MD&A") of the Company for the three and nine months ended May 31, 2022 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the year ended August 31, 2021. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1 of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's annual consolidated financial statements, together with the notes thereto, and Annual MD&A for the year ended August 31, 2021. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2022, and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of July 29, 2022, unless otherwise indicated.

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

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

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements	Assumptions	Risk factors
The Company's (i) development of product candidates, (ii) demonstration of such product candidates' safety and efficacy in clinical trials, and (iii) obtaining regulatory approval to commercialize these product candidates.	Financing will be available for development of new product candidates and conducting clinical studies; the actual results of the clinical trials will be favourable; development costs will not exceed PharmAla's expectations; the Company will be able to retain and attract skilled staff; the Company will be able to recruit suitable patients for clinical trials; all requisite regulatory and governmental approvals to commercialize the product candidates will be received on a timely basis upon terms acceptable to PharmAla; applicable economic conditions are favourable to PharmAla.	Availability of financing in the amount and time frame needed for the development and clinical trials may not be favourable; increases in costs; uncertainties of COVID-19 pandemic; the Company's ability to retain and attract skilled staff; the Company's ability to recruit suitable patients for clinical trials; timely and favourable regulatory and governmental compliance, acceptances, and approvals; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to obtain the substantial capital it requires to fund research and operations.	Financing will be available for PharmAla's research and operations and the results thereof will be favourable; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to PharmAla.	Changes in debt and equity markets; uncertainties of COVID-19 pandemic; timing and availability of external financing on acceptable terms; increases in cost of research and operations; interest rate and exchange rate fluctuations; adverse changes in economic conditions.

**PharmAla Biotech Holdings Inc.**  
**Management's Discussion and Analysis**  
**Three and Nine Months Ended May 31, 2022**  
**Dated - July 29, 2022**

Forward-looking statements	Assumptions	Risk factors
Factors affecting pre-clinical research, clinical trials and regulatory approval process of the Company's product candidates.	Actual costs of pre-clinical research, clinical and regulatory processes will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; the Company will be able to recruit suitable patients for clinical trials; the Company will be able to complete pre-clinical research and clinical studies on a timely basis with favourable results; all applicable regulatory and governmental approvals for product candidates will be received on a timely basis with terms acceptable to PharmAla; debt and equity markets, exchange and interest rates, and other applicable economic and political conditions are favourable to PharmAla; there will be a ready market for the product candidates.	PharmAla's product candidates may require time-consuming and costly pre-clinical and clinical studies and testing and regulatory approvals before commercialization; the Company's ability to retain and attract skilled staff; uncertainties of COVID-19 pandemic; the Company's ability to recruit suitable patients for clinical trials; adverse changes in regulatory and governmental processes; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company will not be adversely affected by market competition.
The Company's ability to commercialize on its own or find and enter into agreements with potential partners to bring viable product candidates to commercialization.	PharmAla will be able to commercialize on its own or to find a suitable partner and enter into agreements to bring product candidates to market within a reasonable time frame and on favourable terms; the costs of commercializing on its own or entering into a partnership will be consistent with PharmAla's expectations; partners will provide necessary financing and expertise to bring product candidates to market successfully and profitably.	PharmAla will not be able to commercialize on its own or find a partner and/or enter into agreements within a reasonable time frame; if the Company enters into agreements, these agreements may not be on favourable terms to PharmAla; costs of entering into agreements may be excessive; uncertainties of COVID-19 pandemic; potential partners will not have the necessary financing or expertise to bring product candidates to market successfully or profitably.
The Company's ability to obtain and protect the Company's intellectual property rights and not infringe on the intellectual property rights of others.	Patents and other intellectual property rights will be obtained for viable product candidates; patents and other intellectual property rights obtained will not infringe on others.	PharmAla will not be able to obtain appropriate patents and other intellectual property rights for viable product candidates; patents and other intellectual property rights obtained will be contested by third parties; no proof that acquiring a patent will make the product more competitive.
The Company's ability to source markets which have demand for its products and successfully supply those markets in order to generate sales.	The anticipated markets for the Company's potential products and technologies will continue to exist and expand; the Company's products will be commercially viable and it will successfully compete with other research teams who are also examining potential products.	The anticipated market for the Company's potential products and technologies will not continue to exist and expand for a variety of reasons, including competition from other products and the degree of commercial viability of the potential product.
Future actions with respect to and potential impacts of pending claims.	PharmAla will be able to settle or otherwise obtain disposition of claims against it on favourable terms.	PharmAla may will not be able to settle pending claims on favourable terms; claims may be adjudicated in a manner that is not favourable to PharmAla.

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

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

## **BUSINESS OVERVIEW**

PharmAla is a Canadian biotechnology company dedicated to the manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community. 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, the supply of which is constrained by manufacturing bottlenecks and regulatory restrictions. While the Company anticipates that business line (1), namely the manufacture of clinical grade MDMA for sale to researchers, is likely to generate revenue in 2022, the Company also believes that manufacturing of generic molecules is unlikely to yield stable long-term revenue as the supply of these molecules increases over time. As such, the Company believes that significantly more long-term value can be derived from activity which generates significant Intellectual Property, such as the Company's business lines (2) and (3). While these business lines are likely to generate significant value in the long-term, they are unlikely to generate short-term cash revenue as this revenue is dependent on the Company achieving its regulatory milestones.

## **OPERATIONAL HIGHLIGHTS**

### **Corporate Highlights**

On September 30, 20201, the 40,689,600 special warrants were converted into 40,689,600 common shares for no additional consideration.

On January 11, 2022, the Company's shares were listed on the Canadian Securities Exchange ("CSE") under the symbol "MDMA".

On January 17, 2022, the Company announced that it has initiated preclinical research on its patented novel chemical entities (NCEs) at the laboratory of Dr. William Fantegrossi at the University of Arkansas for Medical Sciences (UAMS).



**PharmAla Biotech Holdings Inc.**  
**Management's Discussion and Analysis**  
**Three and Nine Months Ended May 31, 2022**  
**Dated - July 29, 2022**

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On March 3, 2022, the Company announced that the Company has initiated preclinical research on a new class of patented novel chemical entities (NCEs) at InterVivo Solutions.

On March 14, 2022, the Company announced the hiring of Mr. David Purcell as Director of Sales.

On April 8, 2022, the Company announced that it has been selected as the MDMA manufacturing partner for Mind Medicine Australia. Mind Medicine Australia's order will be available for delivery later this year, for use in an ethics approved healthy persons trial and will be subject to all necessary government approvals being obtained.

On May 10, 2022, the Company announced that it has signed an agreement with CCrest Laboratories Inc. which will allow for its GMP MDMA to be delivered to customers in Canada and around the world.

On May 19, 2022, the Company announced that it has signed an agreement with SABI Mind Inc. which will allow for its GMP MDMA to be administered to patients at SABI Mind's Healing Centres.

### **EVENTS SUBSEQUENT TO MAY 31, 2022**

On June 24, 2022, the Company announced that it has registered a trademark for its clinical-grade MDMA product, which shall be marketed as Laneo MDMA.

On July 4, 2022, the Company announced that it has appointed Mr. Kevin Roy to its board of directors.

### **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.

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Research;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding.

At the date of this Interim MD&A, the Canadian government has not introduced measures which would significantly impede the activities of the Company. Management believes the business will continue and accordingly the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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.

## **RESULTS OF OPERATIONS**

### Three months ended May 31, 2022, compared with period from incorporation to May 31, 2021

The Company's net loss and comprehensive loss totaled \$206,081 for the three months ended May 31, 2022, with basic and diluted loss per share of \$0.00. This compares with a net loss and comprehensive loss of \$2,317,223 with basic and diluted loss per share of \$0.06 for the period from incorporation to May 31, 2021. The decrease of \$2,111,142 in net loss was principally because the Company had just begun operations in the prior comparative period. Some significant increases are as follows:

- The Company recorded revenues of \$70,523 compared to \$nil, and recorded cost of sales of \$1,854 compared to \$nil. The Company signed contracts with a handful of vendors, and received payment to start production in the current period. The Company uses the percentage of completion method to recognize revenue based on its estimate of key contract milestones.
- The Company recorded stock based compensation of \$14,467, compared to \$54,107. The movement is a result of no stock options being granted during the current period while in the prior period 2.86 million stock options were granted. Stock based compensation will vary due to vesting conditions, and the number of stock options granted in any period.
- The Company recorded professional fees of \$20,079 compared to \$82,659, the majority of the decrease related to the costs of going public, financial reporting costs, and legal costs, which were incurred in the prior period.
- The Company recorded consulting fees of \$79,304 payroll expenses of \$62,550, and office and general costs of \$79,688 related to operating costs to support the development of the Company's intangible assets, this compares with consulting fees of \$65,325 payroll expenses of \$3,214, and office and general costs of \$9,097 which were incurred during the comparative period.
- The Company recorded transaction costs of \$nil compared to \$2,083,570, as the Company completed its RTO in the prior period.

### Nine months ended May 31, 2022, compared with period from incorporation to May 31, 2021

The Company's net loss and comprehensive loss totaled \$794,135 for the nine months ended May 31, 2022, with basic and diluted loss per share of \$0.01. This compares with a net loss and comprehensive loss of \$2,353,762 with basic and diluted loss per share of \$0.10 for the period from incorporation to May 31, 2021. The increase of \$1,559,627 in net loss was principally because the Company had just begun operations in the prior comparative period. Some significant increases are as follows:

- The Company recorded revenues of \$70,523 compared to \$nil, and recorded cost of sales of \$1,854 compared to \$nil. The Company signed contracts with a handful of vendors, and received payment to start production in the current period. The Company uses the percentage of completion method to recognize revenue based on its estimate of key contract milestones.
- The Company recorded stock based compensation of \$110,987, compared to \$54,107. The movement is a result of vesting conditions on stock options were granted in a prior period. Stock based compensation will vary due to vesting conditions, and the number of stock options granted in any period.
- The Company recorded investor relations costs of \$107,771 compared to \$29,650, the increase was a result of the Company being a public Company during the current period compared to the prior period.
- The Company recorded consulting fees of \$268,936 payroll expenses of \$121,304, and office and general costs of \$135,981 related to operating costs to support the development of the Company's intangible assets, this compares with consulting fees of \$76,325 payroll expenses of \$3,214, and office and general costs of \$14,747 which were incurred during the period from incorporation to May 31, 2021.
- The Company recorded transaction costs of \$nil compared to \$2,083,570, as the Company completed its RTO in the prior period.

## OFF-BALANCE-SHEET ARRANGEMENTS

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

## LIQUIDITY AND CAPITAL RESOURCES

The activities of the Company, principally the research and development of MDMA and MDXX, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options.

The Company has no operating revenues 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 external financings to generate capital. On May 31, 2022, the Company also had 5,010,000 options which are exercisable that would raise \$358,000, and 6,766,952 warrants outstanding that would raise \$364,945, 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 May 31, 2022, the Company had a cash balance of \$1,200,875 as a result of cash outflows in operating activities of \$703,778, and cash outflows in investing activities of \$567,727.

Operating activities were affected by net loss of \$794,135, items not affecting cash of \$112,130, and net non-cash working capital balances of \$682,005. Items not affecting cash consisted of depreciation of \$1,143, and stock based compensation of \$110,987. Net change in the non-cash working capital balance consisted of work in progress of \$35,739, prepaid expenses and deposit of \$58,457, HST receivable of \$10,521, inventory of \$77,776, and offset by accounts payables and accrued liabilities of \$160,720.

Investing activities cash outflows were due to purchase of capital assets of \$2,989, and intangible asset development costs of \$564,738.

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.

The following table sets forth a comparison of the disclosure regarding the Company's intended use of proceeds set out in the Company's long form prospectus dated December 21, 2021 and the estimated use of proceeds as of May 31, 2022.

Principal Purposes	Allocated (\$)	Spent (\$)	Remaining (\$)
General and administrative costs	610,000	(376,169)	233,831
Estimated expense for listing on the CSE	100,000	(100,000)	-
Sales and marketing	100,000	-	100,000
Research and development	1,200,000	(564,738)	635,262
Total use of available funds	2,010,000	(1,040,907)	969,093
Unallocated funds	139,000	-	139,000
Total use of available funds	2,149,000	(1,040,907)	1,108,093

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. To date, the COVID-19 pandemic has not had an impact on the Company's available funds or the anticipated use of such funds.

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.

## **CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity, which comprises share capital, special warrants, warrants, contributed surplus and, accumulated deficit, which at May 31, 2022 totaled equity of \$1,972,213.

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

## **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 Chief Financial Officer ("CFO") of the Company is the managing director of Marrelli Support Services Inc. ("MSSI"). During three and nine months ended May 31, 2022, the Company incurred professional fees of \$4,619 and \$7,026, respectively (for the period from incorporation to May 31, 2022 - \$nil) to MSSI. These services were incurred in the normal course of operations for CFO fees, general accounting and financial reporting matters. As at May 31, 2022, the Company had a deposit of \$583 (August 31, 2021 - \$nil) with MSSI. As at May 31, 2022 MSSI was owed \$nil (August 31, 2021 - \$15,126), inclusive of HST with respect to services provided, and this amount was included in accounts payable and accrued liabilities.

Marrelli Trust Company Limited ("Marrelli Trust") is affiliated with MSSI through common ownership. During three and nine months ended May 31, 2022, the Company incurred transfer agent fees of \$5,520 (for the period from incorporation to May 31, 2022 - \$nil) to Marrelli Trust. These services were incurred in the normal course of operations for stock transfer services. As at May 31, 2022, Marrelli Trust was owed \$nil (August 31, 2021 - \$nil), inclusive of HST with respect to services provided, and this amount was included in accounts payable and accrued liabilities.

During three and nine months ended May 31, 2022, the Company incurred consulting and payroll fees of \$35,358 and \$72,000 (for the period from incorporation to May 31, 2022 - \$nil) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at May 31, 2022, the CEO and companies controlled by the CEO were owed \$28,053 inclusive of HST, and this amount was included in accounts payable and accrued liabilities.

On March 23, 2021, the Company granted 2,100,000 stock options to directors, and officers.

During the three and nine months ended May 31, 2022, the Company incurred stock based compensation expense of \$31,143 and \$90,415, respectively (for the three months ended May 31, 2021, and for the period from incorporation to May 31, 2022 - \$31,620) related to stock options granted to Directors and Officers during the year ended August 31, 2021.

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**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2022 or later periods.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

## SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in preparing the unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2021, other than those noted below.

### Revenue recognition

The percentage-of-completion method requires the use of estimates to determine the stage of completion which is used to determine the recorded amount of revenue, unbilled revenue and deferred revenue on uncompleted contracts. The determination of anticipated revenues includes the contractually agreed revenue and may also involve estimates of future revenues if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, including the cost of materials, labour, and sub-contractors. The determination of estimates is based on the Company's business practices as well as its experience.

### Inventories

Inventories are stated at the lower of production cost and net realizable value. Production costs include direct and indirect labour, operating materials and supplies, transportation costs, and an appropriate portion of fixed and variable overhead expenses. Inventories are accounted for on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

## SHARE CAPITAL

As of the date of this Interim MD&A, the Company had 82,998,600 issued and outstanding common shares, and had no special warrants outstanding.

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

Warrants	Expiry Date	Exercise Price (\$)
5,250,000	February 01, 2023	0.05
870,000	February 05, 2023	0.05
115,000	February 16, 2023	0.05
531,952	May 14, 2023	0.10

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

Options	Expiry Date	Exercise Price (\$)
70,000	August 12, 2023	0.10
2,860,000	March 23, 2026	0.05
1,700,000	June 18, 2026	0.10
380,000	August 12, 2026	0.10

## **RISKS AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative, involving numerous and significant risks, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended August 31, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com).