PHARMATHER HOLDINGS LTD.

(FORMERLY NEWSCOPE CAPITAL CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2021 AND PERIOD FROM APRIL 1, 2020 (DATE OF INCORPORATION) TO MAY 31, 2020

(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PharmaTher Holdings Ltd. (formerly Newscope Capital Corporation)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PharmaTher Holdings Ltd. (formerly Newscope Capital Corporation) (the Company), which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the year ended May 31, 2021 and for the period from April 1, 2020 (dated of incorporation) to May 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020, and its financial performance and its cash flows for the year ended May 31, 2021 and for the period from April 1, 2020 (date of incorporation) to May 31, 2020, in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues from operations during the year ended May 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
September 7, 2021

PharmaTher Holdings Ltd.
(Formerly Newscope Capital Corporation)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		May 31, 2021		May 31, 2020
ASSETS				
Current assets				
Cash	$	**2,778,081**	$	388,382
Amounts receivable		**28,650**		2,051
Prepaid expense		**33,333**		-
Investment (note 4)		**3,100,000**		-
Total current assets		**5,940,064**		390,433
Non-current assets				
Equipment, net		**3,910**		-
Total assets	$	**5,943,974**	$	390,433
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 14(a))	$	**133,595**	$	10,748
Due to related party (note 14(iv))		**2,414**		-
Income tax payable		**39,551**		-
		175,560		10,748
Non-current liabilities				
Deferred tax liabilities (note 16)		**185,500**		-
Total liabilities		**361,060**		10,748
Equity				
Share capital (note 5)		**2,369,128**		15,001
Shares to be issued		**-**		388,500
Warrants and special warrants (notes 7 and 8)		**234,895**		-
Contributed surplus (note 9)		**338,511**		-
Retained earnings (deficit)		**2,640,380**		(23,816)
Total equity		**5,582,914**		379,685
Total liabilities and equity	$	**5,943,974**	$	390,433

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

Business of the Company and going concern (note 1)
Subsequent events (note 17)

On Behalf of the Board:

"Fabio Chianelli"
Director

"Carlo Sansalone"
Director

PharmaTher Holdings Ltd.
(Formerly Newscope Capital Corporation)
Consolidated Statements of Income (loss) and Comprehensive Income (loss)
(Expressed in Canadian Dollars)

		Year Ended May 31, 2021		Period from April 1, 2020 (Date of incorporation) to May 31, 2020
Expenses				
Research (note 14(a)(iv))	$	751,535	$	-
Professional fees		350,510		23,274
Consulting fees (note 14(a)(i))		595,977		-
Stock-based compensation (notes 9 and 14)		409,400		-
General and administrative		322,710		542
Shareholder information and filing fees		386,701		-
RTO transaction cost (note 6)		332,174		-
Comprehensive loss before below items		(3,149,007)		(23,816)
Income from sale of intellectual property (note 10)		7,000,000		-
Loss on settlement of debt (note 5(b)(vii))		(61,746)		-
Unrealized loss on investment (note 4)		(900,000)		-
Net income (loss) before income tax	$	2,889,247	$	(23,816)
Income tax expense		39,551		-
Deferred tax expense		185,500		-
Net income (loss) and comprehensive income (loss) for the year	$	2,664,196	$	(23,816)
Basic net income for the period (note 13)	$	0.04	$	(0.00)
Diluted net income for the period (note 13)	$	0.04	$	(0.00)
Weighted average number of common shares outstanding - basic		64,558,158		34,080,000
Weighted average number of common shares outstanding - diluted		73,264,358		34,080,000

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

PharmaTher Holdings Ltd.
(Formerly Newscope Capital Corporation)
Consolidated Statements of Changes in Equity
May 31, 2021
(Expressed in Canadian Dollars)

	Share Capital						
	Number of shares	Amount	Shares to be issued	Warrants and special warrants	Contributed Surplus	Retained earnings (Deficit)	Total
Balance, April 1, 2020 (date of incorporation)	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Issuance of shares for seed capital	34,000,000	1	-	-	-	-	1
Shares issued for professional services	300,000	15,000	-	-	-	-	15,000
Proceeds received for shares to be issued	-	-	388,500	-	-	-	388,500
Net loss for the period	-	-	-	-	-	(23,816)	(23,816)
Balance, May 31, 2020	**34,300,000**	**15,001**	**388,500**	**-**	**-**	**(23,816)**	**379,685**
Private placements (note 5(b))	22,940,000	1,647,000	(388,500)	-	-	-	1,258,500
Issuance of broker warrants (note 5(b))	-	(38,384)	-	38,384	-	-	-
Share issuance costs (note 5(b))	-	(116,137)	-	-	-	-	(116,137)
Elimination of PharmaTher shares (note 6)	(47,240,000)	-	-	-	-	-	-
Conversion of PharmaTher shares (note 6)	47,240,000	-	-	-	-	-	-
Conversion of Newscope shares and consideration for RTO (note 6)	7,100,000	355,000	-	53,311	4,563	-	412,874
Exercise of special warrants	1,036,000	51,800	-	(51,800)	-	-	-
Exercise of stock options	1,101,000	110,100	-	-	-	-	110,100
Reclassification of fair value of stock options exercised	-	75,452	-	-	(75,452)	-	-
Common shares and warrants issued in settlement of debt (note 5(b))	1,257,865	269,296	-	195,000	-	-	464,296
Stock based compensation (note 9)	-	-	-	-	409,400	-	409,400
Net income for the year	-	-	-	-	-	2,664,196	2,664,196
Balance, May 31, 2021	**67,734,865**	**$ 2,369,128**	**$ -**	**$ 234,895**	**$ 338,511**	**$ 2,640,380**	**$ 5,582,914**

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

PharmaTher Holdings Ltd.
(Formerly Newscope Capital Corporation)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended May 31, 2021	Period from April 1, 2020 (Date of incorporation) to May 31, 2020
Operating activities		
Net income (loss) for the period	$ 2,664,196	$ (23,816)
Adjustments for:		
Stock based compensation (note 9)	409,400	-
RTO transaction cost (note 6)	208,412	-
Shares/warrants issued for professional services	306,500	15,000
Deferred tax expense	185,500	-
Depreciation	355	-
Non-cash income from sale of intellectual property	(4,000,000)	-
Unrealized loss on investment	900,000	-
Loss on settlement of debt	61,746	-
Non-cash working capital items:		
Amounts receivable	(26,599)	(2,051)
Prepaid	(33,333)	-
Accounts payable and accrued liabilities	204,048	10,748
Income tax payable	39,551	-
Due to related party	2,414	-
Net cash provided by (used in) operating activities	922,190	(119)
Investing activities		
Cash obtained from RTO (note 6)	219,034	-
Purchase of equipment	(4,265)	-
Net cash provided by investing activities	214,769	-
Financing activities		
Shares issued for seed capital	-	1
Proceeds for shares to be issued	-	388,500
Proceeds from private placements, net of costs	1,142,640	-
Exercise of stock options	110,100	-
Net cash provided by financing activities	1,252,740	388,501
Net change in cash	2,389,699	388,382
Cash, beginning of period	388,382	-
Cash, end of period	$ 2,778,081	$ 388,382

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

1. Business of the Company and going concern

PharmaTher Inc. ("PharmaTher" or "the Company") was incorporated under the Business Corporations Act (Ontario) on April 1, 2020. The registered head office of the Company is 82 Richmond Street East, Toronto, Ontario M5C 1P1.

PharmaTher is a specialty psychedelic pharmaceutical company focused on the research, development and commercialization of ketamine and novel microneedle patches for delivering psychedelics to treat neuropsychiatric, neurodegenerative and pain disorders.

PharmaTher Holdings Ltd. (formerly Newscope Capital Corporation ("Newscope")) was incorporated under the Business Corporations Act (British Columbia) on March 20, 2019. The registered head office of the Company is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver B.C. V6E 4N7, Canada.

On June 10, 2020, Newscope issued 47,240,000 common shares as consideration for acquisition of all of the issued and outstanding common shares in the capital of PharmaTher (the "Acquisition"). In addition, Newscope issued an aggregate of 115,000 warrants in exchange for the issued and outstanding warrants of PharmaTher. Each warrant entitles the holder thereof to acquire one common share in the capital of Newscope at an exercise price of $0.10 for a period of 24 months from the original date of issuance. The Acquisition was accounted for as a reverse takeover ("RTO") whereby PharmaTher was identified as the acquirer for accounting purpose and the resulting consolidated financial statements are presented as a continuance of PharmaTher and the comparative figures presented in the consolidated financial statements after the RTO are those of PharmaTher. After the RTO, the combined entity of Newscope and PharmaTher is referred to also as " the Company" in these consolidated financial statements.

On October 1, 2020, the Company's common shares were approved for listing on the Canadian Securities Exchange (the "CSE") and began trading on the CSE under the trading symbol "PHRM" as of market open on October 9, 2020.

On January 13, 2021, the common shares of the Company were approved for trading on the OTCQB® Venture Market (“OTCQB”). The Company’s U.S. listing will trade under the symbol “PHRRF” while the Company’s primary Canadian listing will continue to trade on the Canadian Securities Exchange under "PHRM".

On April 8, 2021, Newscope filed an application notice with BC Registry Services changing the name of the Company to PharmaTher Holdings Ltd.

The Company’s ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments. If additional financing is arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution. In addition, the Company has not generated any revenue to date. These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. 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.

2. Basis of Presentation

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the Company on September 7, 2021.

Basis of Presentation

These financial statements have been prepared on a going concern basis, under the historical cost convention except for certain financial assets and liabilities that are presented at fair value. These financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign Currency Translation

The functional currency of the Company is Canadian Dollar. The presentation currency of the financial statements is the Canadian Dollar.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Newscope. The financial statements of the Company's wholly owned subsidiary, Newscope, are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiary is carried at their cost of acquisition in the Company's financial statements. The financial statements of subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated on consolidation.

3. Significant Accounting Policies

Use of Management Estimates, Judgments and Measurement Uncertainty

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

3. Significant Accounting Policies (continued)

Use of Management Estimates, Judgments and Measurement Uncertainty (continued)

Stock-based compensation

The fair value of stock-based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

Warrants

Management is required to make a number of estimates when measuring the value of the warrants including the volatility rate and expected life of the instruments.

Income taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company’s tax filings also are subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

Going concern

Management assessment of going concern and uncertainties of PharmaTher's ability to raise additional capital and/or obtain financing to meet its commitments.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

3. Significant Accounting Policies (continued)

Income Taxes (continued)

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Loss Per Share

Loss per common share have been determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares securing employee share purchase loans and shares in escrow, if any. The Company follows the “treasury stock” method in the calculation of diluted earnings per share. Under this method, the calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The treasury stock method is not used to calculate diluted loss per share because the result would be anti- dilutive. Loss per share per share (diluted) are equivalent measures and calculated on a non-dilutive basis.

Related Party Transactions

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

3. Significant Accounting Policies (continued)

Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting date. All other financial assets are measured at their fair values at each subsequent reporting date, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. The Company's financial assets consist of cash and investments which are classified and measured at FVTPL and accounts receivable which is classified and measured at amortized cost.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company’s financial liabilities consist of accounts payable and accrued liabilities and due to related party, which are classified and measured at amortized cost using the effective interest method.

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Stock-based compensation

The fair value of stock options granted is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately. Amounts recorded for expired unexercised stock options and warrants are transferred to deficit on expiry.

Investment

Purchases and sales of investments are recognized on a trade date basis. Public and non-public investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in income (loss). At the end of each financial reporting period, the Company's management estimates the fair value of investment based on the quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date and reflects such changes in valuations in the consolidated statements of income (loss) and comprehensive income (loss).

Research and development

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible assets and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Accounting pronouncements not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2021 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

4. Investment

During the year ended May 31, 2021, the Company received 6,666,667 shares of Revive Therapeutics Ltd. ("Revive") valued at $4,000,000 and cash of $3,000,000 for sale of the full rights to PharmaTher's intellectual property pertaining to psilocybin (note 10). As at May 31, 2021, the fair value of investment in Revive shares was $3,100,000, resulting in unrealized loss on investment of $900,000.

5. Share capital

a) Authorized share capital

Authorized unlimited common shares and unlimited number of preferred shares

b) Common shares issued

	Number of Common Shares	Amount ($)
Balance, as at April 1, 2020 (date of incorporation)	**-**	**-**
Issuance of shares for seed capital	34,000,000	1
Shares issued for professional services (i)	300,000	15,000
Balance, May 31, 2020	**34,300,000**	**15,001**
Private placements (ii)(iv)	22,940,000	1,647,000
Issuance of broker warrants (ii)(iv)	-	(38,384)
Share issuance costs (ii)(iv)	-	(116,137)
Elimination of PharmaTher shares (iii)	(47,240,000)	-
Conversion of PharmaTher shares (iii)	47,240,000	-
Conversion of Newscope shares and consideration for RTO (note 6)	7,100,000	355,000
Exercise of special warrants (v)	1,036,000	51,800
Exercise of stock options	1,101,000	110,100
Reclassification of fair value of stock options exercised	-	75,452
Common shares issued for settlement of debt (vi)(vii)	1,257,865	269,296
Balance, May 31, 2021	**67,734,865**	**2,369,128**

(i) On May 8, 2020, PharmaTher issued 300,000 common shares to settle accrued professional fees of $15,000.

(Expressed in Canadian Dollars)

5. Share capital (continued)

b) Common shares issued (continued)

(ii) On June 8, 2020, PharmaTher completed a private placement for the issuance of 12,940,000 common shares at $0.05 per share for gross proceeds of $647,000. The Company paid cash commission of $50,360 and issued 1,007,200 finder's warrants of with each finder's warrant exercisable for one common share of the Company at $0.05 per share until June 8, 2022. The fair value of the finder's warrants was estimated at $38,537 using the Black-Scholes stock option valuation model using the following assumptions: stock price of $0.05, risk-free interest rate of 0.28%, expected stock price volatility of 100%, expected dividend yield of 0% and expected life of 2 years.

(iii) On June 10, 2020, Newscope issued 47,240,000 common shares as consideration for acquisition of all of the issued and outstanding common shares in the capital of PharmaTher (the "Acquisition"). In addition, Newscope issued an aggregate of 115,000 warrants in exchange for the issued and outstanding warrants of PharmaTher. Each warrant entitles the holder thereof to acquire one common share in the capital of Newscope at an exercise price of $0.10 for a period of 24 months from the original date of issuance. The Acquisition was accounted for as a reverse takeover ("RTO") whereby PharmaTher was identified as the acquirer for accounting purpose and the resulting consolidated financial statements are presented as a continuance of PharmaTher and the comparative figures presented in the consolidated financial statements after the RTO are those of PharmaTher.

(iv) On July 8, 2020, the Company issued 10,000,000 common shares at $0.10 per share for gross proceeds of $1,000,000 and 680,000 broker warrants with each warrant exercisable into one common share of the Company at $0.10 per share expiring in two years from the date of issuance. The fair value of the warrants was estimated at $51,792 using Black-Scholes stock option valuation model using the following assumptions: stock price of $0.10, risk-free interest rate of 0.29%, expected stock price volatility of 100%, expected dividend yield of 0% and expected life of 2 years.

(v) On October 1, 2020, upon listing of the Company's common shares on the CSE, 1,036,000 special warrants were converted to 1,036,000 common shares for no additional consideration.

(vi) On October 29, 2020, the Company issued 571,794 common shares valued at $111,500 in settlement of accounts payable of $111,500 and issued 2,000,000 warrants with each exercisable at $0.195 for one common share of the Company until October 9, 2022 in settlement of accounts payable of $195,000.

(vii) On December 3, 2020, the Company issued 686,071 common shares value at $157,796 in settlement of accounts payable of $96,050, resulting in a loss on settlement of debt of $61,746.

6. Reverse takeover

The share capital of each company prior to the RTO was as follows:

Newscope	Number of Common Shares	Amount ($)
Balance, May 31, 2020 and June 10, 2020, prior to the RTO	**7,100,000**	**382,424**

PharmaTher	Number of Common Shares	Amount ($)
Balance, May 31, 2020	**34,300,000**	**15,001**
Balance, June 10, 2020, prior to the RTO	**47,240,000**	**573,284**

6. Reverse takeover (continued)

On June 10, 2020, Newscope issued 47,240,000 common shares as consideration for acquisition of all of the issued and outstanding common shares in the capital of PharmaTher. In addition, Newscope issued an aggregate of 115,000 warrants in exchange for the issued and outstanding warrants of PharmaTher.

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 Newscope does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with PharmaTher 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 PharmaTher and comparative figures presented in the consolidated financial statements after the reverse takeover are those of PharmaTher.

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 PharmaTher would have issued shares with a value in excess of the net assets received, the difference is recognised in comprehensive income as a RTO transaction cost. The amount assigned to the transaction cost of $208,412 is the difference between the fair value of the consideration and the net identifiable assets of Newscope acquired by PharmaTher and included in the consolidated statement of loss and comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the transaction. This represents the fair value of the shares that PharmaTher would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of PharmaTher acquiring 100% of the shares in Newscope. The percentage of ownership Newscope shareholders had in the combined entity is 13% after the issue of 47,240,000 Newscope shares. The fair value of the consideration in the RTO is equivalent to the fair value of the 7,100,000 Newscope shares controlled by original Newscope shareholders, 375,000 stock options to Newscope stock options holders, 115,000 warrants to Newscope warrant holders and 1,036,000 special warrants to Newscope special warrant holders. The fair value of the shares controlled by original Newscope shareholders was estimated to be $355,000 based on the fair market value of $0.05 per share in the private placement of PharmaTher on the date of June 8, 2020. The fair value of the stock options was estimated to be $4,563 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rates of 0.28%; and expected lives of 1.44 years. The fair value of the warrants was estimated to be $1,511 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 0.28%; and an expected life of 1.53 to 1.63 years. The fair value of the special warrants was estimated to be $51,800 based on the fair market value of $0.05 per share in the private placement of PharmaTher on the date of June 8, 2020 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 filing of the final prospectus for listing of its shares on TSX Venture Exchange. The Company also incurred $123,762 professional fees related to the RTO which had been included in the consideration.

Based on the statement of financial position of Newscope at the time of the RTO, the net assets at estimated fair value that were acquired by PharmaTher were $204,462 and the resulting transaction cost charged to the consolidated statement of loss and comprehensive loss is as follows:

(Expressed in Canadian Dollars)

6. Reverse takeover (continued)

Consideration		
Common shares	$	355,000
Warrants		1,512
Stock options		4,563
Special warrants		51,800
Professional fees incurred for RTO		123,761
Total consideration	**$**	**536,636**

Identifiable assets acquired		
Cash	$	219,034
Amounts receivable		1,441
Accounts payable and accrued liabilities		(16,013)
Total identifiable assets acquired		204,462
Unidentifiable assets acquired		
Transaction cost		332,174
Total net identifiable assets and transaction cost	**$**	**536,636**

7. Special warrants

During the period ended May 31, 2019, Newscope issued 1,036,000 special warrants for proceeds of $93,600 which was received subsequent to May 31, 2019. 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 Newscope upon filing of the final prospectus for listing of its shares on TSX Venture Exchange. The 1,036,000 special warrants include 936,000 special warrants issued for cash proceeds of $93,600 and 100,000 special warrants issued to an agent as transaction costs. Newscope also incurred a transaction cost of $7,641. On June 10, 2020, PharmaTher took over the special warrants after the RTO with Newscope (note 6). On October 1, 2020, the 1,036,000 special warrants were exercised into 1,036,000 common shares of the Company.

8. Warrants and broker warrants

The Company issued warrants and broker warrants to acquire common shares as follows:

	Number of Warrants	**Weighted Average Exercise Price ($)**
Balance, May 31, 2020	**-**	**-**
Issued (note 5(b)(ii)(iv))	3,687,200	0.14
Issued as consideration for the RTO (note 6)	115,000	0.10
Balance, May 31, 2021	**3,802,200**	**0.14**

(Expressed in Canadian Dollars)

8. Warrants and broker warrants (continued)

Based on the statement of financial position of Newscope at the time of the RTO, the net assets at estimated fair value that were acquired by PharmaTher were $204,462 and the resulting transaction cost charged to the consolidated statement of loss and comprehensive loss is as follows:

The following table reflects the warrants and broker warrants issued and outstanding as of May 31, 2021:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
December 20, 2021	0.10	0.56	85,000
January 27, 2022	0.10	0.66	30,000
June 8, 2022	0.05	1.02	1,007,200
July 8, 2022	0.10	1.10	680,000
October 9, 2022	0.195	1.36	2,000,000
	0.14	**1.20**	**3,802,200**

9. Stock options

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted Average Exercise Price ($)
Balance, May 31, 2020	**-**	**-**
Granted	5,975,000	0.12
Exercised	(1,101,000)	0.10
Balance, May 31, 2021	**4,874,000**	**0.12**

The following table reflects the actual stock options issued and outstanding as of May 31, 2021:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
November 19, 2021	0.10	0.47	125,000	125,000
July 16, 2025	0.10	4.13	3,749,000	3,749,000
October 9, 2025	0.195	4.36	1,000,000	1,000,000
	0.12	4.08	4,874,000	4,874,000

9. Stock options (continued)

On July 16, 2020, the Company granted 4,600,000 stock options to certain directors, officers and consultants with each stock option exercisable for one common share of the Company at an exercise price of $0.10 per share. These stock options expire in five years from the date of grant and vested immediately upon grant. The fair value of these stock options was estimated at $339,900 using Black-Scholes stock option valuation model using the following assumptions: stock price of $0.10, risk-free interest rate of 0.35%, expected stock price volatility of 100%, expected dividend yield of 0% and expected life of 5 years. The Company recorded stock-based compensation of $339,900 in the consolidated statements of loss and comprehensive loss.

On October 9, 2020, the Company granted 1,000,000 stock options to certain consultants with each stock option exercisable for one common share of the Company at an exercise price of $0.195 per share. These stock options expire in five years from the date of grant and vested immediately upon grant. The fair value of these stock options was estimated at $64,400 using Black-Scholes stock option valuation model using the following assumptions: stock price of $0.10, risk-free interest rate of 0.38%, expected stock price volatility of 100%, expected dividend yield of 0% and expected life of 5 years. The Company recorded stock-based compensation of $64,400 in the consolidated statements of loss and comprehensive loss.

10. Sale of psilocybin program

During the year ended May 31, 2021, the Company entered into an asset purchase agreement (the "Agreement") with Revive to sell the full rights to PharmaTher's intellectual property (the "Acquired Assets") pertaining to psilocybin.

Pursuant to the Agreement, Revive will pay aggregate consideration of up to $10 million (the “Purchase Price”). The Purchase Price will be satisfied as follows: (i) $3 million in cash will be paid on the closing date (paid); (ii) $4 million will be satisfied through the issuance of securities in the capital of Revive (paid - see note 4) and (iii) up to $3 million, in either cash or securities in the capital of Revive, in the event that Revive achieves certain milestones, which include Revive obtaining U.S. Food and Drug Administration ("FDA") orphan drug designation for psilocybin in the treatment of stroke, traumatic brain injury, or cancer, the commencement of a Phase 2 clinical trial and the regulatory filing for market authorization, such as FDA approval. In addition to the Purchase Price, Revive will also pay PharmaTher Holdings Ltd. a 1% royalty on all future net sales of products derived from the Acquired Assets.

During the year ended May 31, 2021, the Company recorded $7 million in income from sale of intellectual property in the consolidated statements of income and comprehensive income.

11. Capital management

The Company considers its capital to be its shareholders’ equity. As at May 31, 2021, the Company had shareholders' equity of $5,582,914. The Company’s objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a moderate to high tolerance for risk. The objective is achieved by prudently managing the capital generated through internal growth and profitability, through the use of lower cost capital, including raising share capital or debt when required to fund opportunities as they arise. The Company may also return capital to shareholders through the repurchase of shares, pay dividends or reduce debt where it determines any of these to be an effective method of achieving the above objective. The Company does not use ratios in the management of its capital. There have been no changes to management's approach to managing its capital during the period ended May 31, 2021.

12. Fair value and financial risk factors

Risk Management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair Values

The Company has designated its cash and investment as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

As at May 31, 2021, the carrying and fair value amounts of the Company's cash are approximately equivalent due to its short term nature. Cash and investments are classified as Level One in the fair value hierarchy as at May 31, 2021.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. As at May 31, 2021, management believes that the credit risk with respect to cash and HST receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities.

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 market risk factor that affects the Company is foreign currency risk.

The Company is exposed to market risk in trading its investment. As at May 31, 2021, a 10% increase (decrease) on the fair value of the investment will result in a corresponding increase (decrease) of approximately $310,000 in the Company's net income and comprehensive income for year ended May 31, 2021.

13. Net income per share

The calculation of basic loss per share for the year ended May 31, 2021 was based on the income attributable to common shareholders of $2,664,196 (period ended May 31, 2020 - loss of $23,816) and the weighted average number of common shares outstanding of 64,558,158 (period ended May 31, 2020 - 34,080,000).

Diluted income per share included the effect of 3,802,200 warrants and broker warrants and 4,874,000 stock options based on quoted market prices during the year.

(Expressed in Canadian Dollars)

14. Related party transactions

(a) Related party balances and transactions

Related parties include the directors of the Company, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

	Year Ended May 31, 2021	Period from April 1, 2020 (Date of incorporation) to May 31, 2020
Fabiotech Inc. (i)	$ 172,519	$ -
Marrelli Support Services Inc. ("MSSI") (ii)	$ 69,617	$ -
DSA Corporate Services Inc. ("DSA") (iii)	$ 18,596	$ -

(i) Fees are related to services of Fabio Chianelli to act as the Chief Executive Officer ("CEO") of the Company. Fabio Chianelli is the owner of Fabiotech Inc. As at May 31, 2021, $190 was owed to the CEO.

(ii) Fees are related to services of Carmelo Marrelli to act as the Chief Financial Officer ("CFO") of the Company. Carmelo Marrelli is the Managing Director of MSSI. Services were incurred for bookkeeping, accounting and CFO services. As at May 31, 2021, MSSI was owed $2,354 (May 31, 2020 - $nil) and this amount was included in accounts payable and accrued liabilities. This amount is unsecured and non-interest bearing.

(iii) The CFO of the Company is an officer of DSA and the Corporate Secretary of the Company is an employee of DSA. Fees are related to corporate secretarial and filing services provided by DSA. As at May 31, 2021, DSA was owed $1,978 (May 31, 2020 - $nil) and this amount was included in accounts payable and accrued liabilities. This amount is unsecured and non-interest bearing.

(iv) During the year ended May 31, 2021, one of the officers of the Company paid research and development expenses in the amount of $2,608 on behalf of the Company. As at May 31, 2021, the Company owed $2,414 to the officer.

(Expressed in Canadian Dollars)

14. Related party transactions (continued)

(b) Remuneration of directors and key management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of management of the Company was as follows:

	Year Ended May 31, 2021	Period from April 1, 2020 (Date of incorporation) to May 31, 2020
Stock-based compensation	$ 129,310	$ -

(c) Major shareholders

To the knowledge of the directors and senior officers of the Company, as at May 31, 2021, no person or corporation beneficially owns or exercises control over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than Mr. Fabio Chianelli who owns 22.50% of the Company. The holding can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights compared to holders of the Company's common shares.

The Company is not aware of any arrangements the operation of which 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.

15. Commitment

The Company has entered into a licensing arrangement with the Arizona Board of Regents on behalf of the University of Arizona, whereby certain milestone payments and royalties are payable upon the achievement of certain events. The Company will record these amounts as the events occur.

(Expressed in Canadian Dollars)

16. Income Taxes

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 26.5% for Ontario and 27% for British Columbia to the income (loss) for the year before taxes as shown in the following table at May 31:

	Year Ended May 31, 2021	Period from April 1, 2020 (Date of incorporation) to May 31, 2020
Income (loss) before recovery of income taxes	**$ 2,889,247**	$ (23,816)
Combined statutory income tax rate:	**26.5%**	26.5%
Expected income tax expense (recovery) based on statutory rates	**764,337**	(6,311)
Adjustment resulting from:		
Permanent differences	**(1,027,228)**	-
Share issuance costs	**(8,605)**	-
Temporary differences	**411,571**	-
Deferred tax assets not recognized	**84,976**	6,311
Income tax expense	**$ 225,051**	$ -

Deferred income taxes

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

(Expressed in Canadian Dollars)

16. Income Taxes (continued)

	As at May 31, 2021	As at May 31, 2020
Share issuance costs	**$ 31,543**	$ -
Non-capital losses carried forward	**60,360**	6,311
Capital assets	**(245)**	-
Investments	**(185,871)**	-
Deferred tax (liability) assets	**(94,213)**	6,311
Less: deferred tax assets not recognized	**(91,287)**	(6,311)
Net deferred tax (liability) assets	**$ (185,500)**	$ -

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's non-capital income tax losses will expire as follows: 2041 - $227,773.

17. Subsequent event

Subsequent to year end a total of 1,125,000 stock options were exercised for a total proceeds of $207,500