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**PHARMALA BIOTECH HOLDINGS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS -  
QUARTERLY HIGHLIGHTS  
THREE MONTHS ENDED NOVEMBER 30, 2021  
(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 months ended November 30, 2021 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 months ended November 30, 2021 and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of January 24, 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 the Company'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.

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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.

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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, 2020, the 40,689,600 special warrants were converted into 40,689,600 common shares for no additional consideration.

### **EVENTS SUBSEQUENT TO NOVEMBER 30, 2021**

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).

## **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**

The Company was incorporated on December 23, 2021, and therefore there is no comparative information for the three months ended November 30, 2021. During the three months ended November 30, 2021, the Company reported a net loss of \$302,721. Some significant increases are as follows:

- The Company recorded stock based compensation of \$63,484 related to stock options granted during the year ended August 31, 2021.
- The Company recorded professional fees of \$94,776 and investor relations of \$56,735 related to the costs of going public.
- The Company recorded consulting of \$59,295 and payroll expenses of \$19,494 related to management and employee costs.

All other expenses related to general working capital purposes.

## **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 November 30, 2021, 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 November 30, 2021, the Company had a cash balance of \$2,147,089, compared to cash balance of \$2,472,380 as a result of cash outflows in operating activities of \$271,853, and cash outflows in investing activities of \$53,438.

Operating activities were affected by net loss of \$302,721, items not affecting cash of \$63,737, and net non-cash working capital balances of \$37,114. Items not affecting cash consisted of depreciation of \$253, share-based compensation of \$63,484. Net change in the non-cash working capital balance consisted of accounts payable and accrued liabilities of \$8,832, HST receivable of \$20,607, and offset by customer deposits of \$4,245,

Investing activities cash outflows were a result of the purchase of capital assets of \$2,989, and development costs related to the intangible assets of \$50,449.

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 November 30, 2021.

<b>Principal Purposes</b>	<b>Allocated (\$)</b>	<b>Spent (\$)</b>	<b>Remaining (\$)</b>
General and administrative costs	610,000	-	610,000
Estimated expense for listing on the CSE	100,000	-	100,000
Sales and marketing	100,000	-	100,000
Research and development	1,200,000	-	1,200,000
Total use of available funds	2,010,000	-	2,010,000
Unallocated funds	139,000	-	139,000
Total use of available funds	2,149,000	-	2,149,000

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 November 30, 2021 totaled equity of \$2,416,124.

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 the three months ended November 30, 2021, the Company incurred professional fees of \$2,407 to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at November 30, 2021, the Company had a deposit of \$7,675 with MSSI.

During the period from incorporation to November 30, 2021, the Company incurred consulting and payroll fees of \$36,642 to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at November 30, 2021, the CEO and companies controlled by him were owed \$13,543 inclusive of HST, and this amount was included in accounts payable and accrued liabilities.

During the three months ended November 30, 2021, the Company incurred stock based compensation expense of \$59,272 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

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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.

## **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:

<b>Warrants</b>	<b>Expiry Date</b>	<b>Exercise Price (\$)</b>
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:

<b>Options</b>	<b>Expiry Date</b>	<b>Exercise Price (\$)</b>
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 Interim MD&A for the fiscal year ended August 31, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com).