
PHARMALA BIOTECH HOLDINGS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022
AND PERIOD FROM DECEMBER 23, 2020
(DATE OF INCORPORATION) TO FEBRUARY 28, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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)

As at,	February 28, 2022	August 31, 2021
ASSETS		
<i>Current</i>		
Cash	\$ 1,848,596	\$ 2,472,380
Accounts receivable	95,000	-
Subscription receivables	4,000	4,000
HST receivable	21,642	55,578
Prepaid expenses and deposit (note 10)	85,263	-
Total current assets	2,054,501	2,531,958
Fixed assets (note 3)	4,655	2,364
Intangible asset (note 4)	586,416	259,518
Total assets	\$ 2,645,572	\$ 2,793,840
LIABILITIES		
<i>Current</i>		
Accounts payables and accrued liabilities (note 10)	\$ 477,499	\$ 138,479
Customer deposits	4,246	-
Total liabilities	481,745	138,479
SHAREHOLDER'S EQUITY		
Share capital (note 6)	4,831,536	2,195,844
Contributed surplus (note 7)	239,139	142,619
Special warrants (note 5)	-	2,635,692
Warrants (note 8)	190,272	190,272
Deficit	(3,097,120)	(2,509,066)
Total shareholder's equity	2,163,827	2,655,361
Total liabilities and shareholder's equity	\$ 2,645,572	\$ 2,793,840

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Nicholas Kadysh"

Director

"Solomon Elimimian"

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)

	Three Months February 28, 2022	Six Months February 28, 2022	Period from incorporation on December 23, 2020 to February 28, 2021
Expenses			
Consulting (note 10)	\$ 130,337	\$ 189,632	\$ 11,000
Depreciation (note 3)	445	698	-
Investor relations	32,819	89,554	10,500
Office and general	47,609	56,293	5,650
Payroll expenses	39,260	58,754	-
Professional fees (note 10)	1,827	96,603	9,389
Stock based compensation (note 7 and 10)	33,036	96,520	-
Net loss and comprehensive loss for the period	\$ 285,333	\$ 588,054	\$ 36,539
Net loss and comprehensive loss per share			
- basic and diluted (note 9)	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding			
- basic and diluted (note 9)	82,998,600	76,443,053	5,000,000

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)

	Six Months February 28, 2022	Period from incorporation on December 23, 2021 to February 28, 2021
Operating activities		
Loss for the period	\$ (588,054)	\$ (36,539)
<i>Items not affecting cash:</i>		
Depreciation (note 3)	698	-
Stock based compensation (note 7)	96,520	-
<i>Changes in non-cash working capital items:</i>		
Accounts receivable	(95,000)	-
Prepaid expenses and deposit	(85,263)	-
HST receivable	33,936	(2,900)
Accounts payables and accrued liabilities	339,020	44,588
Customer deposits	4,246	-
Net cash (used in) provided by operating activities	(293,897)	5,149
Investing activities		
Purchase of capital assets (note 3)	(2,989)	-
Intangible asset development costs (note 4)	(326,898)	-
Net cash used in investing activities	(329,887)	-
Financing activities		
Proceeds from issuance of shares (net of issuance costs)	-	83,444
Net cash provided by financing activities	-	83,444
(Decrease) increase in cash	(623,784)	88,593
Cash, beginning of period	2,472,380	-
Cash, end of period	\$ 1,848,596	\$ 88,593

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
Balance, December 23, 2020 (date of incorporation)	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Share issuance (net of costs) (note 6)	5,000,000	83,444	-	-	-	-	83,444
Net loss for the period	-	-	-	-	-	(36,539)	(36,539)
Balance, February 28, 2021	5,000,000	\$ 83,444	\$ -	\$ -	\$ -	\$ (36,539)	\$ 46,905
Balance, August 31, 2021	42,309,000	\$2,195,844	\$ 2,635,692	\$ 190,272	\$ 142,619	\$ (2,509,066)	\$ 2,655,361
Conversion of special warrants issued (net of transaction costs) (note 5 and 6)	40,689,600	2,635,692	(2,635,692)	-	-	-	-
Stock based compensation (note 7)	-	-	-	-	96,520	-	96,520
Net loss for the period	-	-	-	-	-	(588,054)	(588,054)
Balance, February 28, 2022	82,998,600	\$4,831,536	\$ -	\$ 190,272	\$ 239,139	\$ (3,097,120)	\$ 2,163,827

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

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Six Months Ended February 28, 2022 and
for the period from incorporation to February 28, 2021
(Expressed in Canadian Dollars)
(Unaudited)

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 six months ended February 28, 2022, the Company reported a net loss of \$588,054 (period for incorporation to February 28, 2021 - \$36,539). The Company has cash balance of \$1,848,596 (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.

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Six Months Ended February 28, 2022 and
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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 April 28, 2022, the date the Board of Directors approved the statements.

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.

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2. BASIS OF PREPARATION (Continued)

Accounting Standards Issued but not yet Applied (continued)

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

Equipment	Cost	Depreciation	Net book value
Balance, August 31, 2021	\$ 2,667	\$ 303	\$ 2,364
Additions	2,989	698	2,291
Balance, February 28, 2022	\$ 5,656	\$ 1,001	\$ 4,655

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.

	MDMA & MDXX	Non-scheduled	Total
Balance, August 31, 2021	\$ 259,518	\$ -	\$ 259,518
Additions ⁽ⁱ⁾	153,391	173,507	326,898
Balance, February 28, 2022	\$ 412,909	\$ 173,507	\$ 586,416

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

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Notes to Condensed Interim Consolidated Financial Statements
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5. 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.

6. SHARE CAPITAL

Authorized share capital

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

Common shares issued

	Number of Shares	Share Capital
Balance, upon incorporation	-	\$ -
Private placement (net of costs) (i)	5,000,000	83,444
Balance, February 28, 2022	5,000,000	\$ 83,444
Balance, August 31, 2021	42,309,000	\$ 2,195,844
Conversion of special warrants (note 5)	40,689,600	2,635,692
Balance February 28, 2022	82,998,600	\$ 4,831,536

(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.

7. 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 six months ended February 28, 2022. No stock options were issued during the comparative period.

	Number of Stock options	Weighted Average Exercise Price (\$)
Balance, August 31, 2021 and February 28, 2022	5,010,000	0.07

During the three and six months ended February 28, 2022, the Company recorded \$33,036 and \$33,036 related to options granted during the year ended August 31, 2021.

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7. STOCK OPTIONS (Continued)

The following table reflects the stock options issued and outstanding as of February 28, 2022:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
August 12, 2023	0.10	1.45	70,000	70,000
March 23, 2026	0.05	4.07	2,860,000	1,732,500
June 18, 2026	0.10	4.30	1,700,000	850,000
August 12, 2026	0.10	4.45	380,000	95,000
Total	0.07	4.14	5,010,000	2,747,500

8. WARRANTS

The Company had the following activity regarding warrants during the six months ended February 28, 2022. No warrants were issued during the comparative period.

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, August 31, 2021, and February 28, 2022	6,766,952	0.05

The following table reflects the actual warrants issued and outstanding as of February 28, 2022:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
February 1, 2023	0.05	0.93	5,250,000
February 5, 2023	0.05	0.94	870,000
February 16, 2023	0.05	0.97	115,000
May 14, 2023	0.10	1.21	531,952
		0.95	6,766,952

9. LOSS PER SHARE

For the three and six months ended February 28, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$285,333 and \$588,054, respectively (for the period from incorporation to February 28, 2021 - \$36,539) and the weighted average number of common shares outstanding of 82,998,600 and 76,443,053, respectively (for the period from incorporation to February 28, 2021 - 5,000,000).

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10. 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 six months ended February 28, 2022, the Company incurred professional fees of \$4,619 and \$7,026, respectively (for the period from incorporation to February 28, 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 February 28, 2022, the Company had a deposit of \$3,056 (August 31, 2021 - \$nil) with MSSI. As at February 28, 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 six months ended February 28, 2022, the Company incurred investor relation fees of \$5,520 (for the period from incorporation to February 28, 2021 - \$nil) to Marrelli Trust. These services were incurred in the normal course of operations for stock transfer services. As at February 28, 2022, Marrelli Trust was owed \$6,175 (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 six months ended February 28, 2022, the Company incurred consulting and payroll fees of \$35,358 and \$72,000 (for the period from incorporation to February 28, 2021 - \$nil) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at February 28, 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.

During the three and six months ended February 28, 2022, the Company incurred stock based compensation expense of \$31,143 and \$90,415, respectively (for the period from incorporation to February 28, 2021 - \$nil) related to stock options granted to Directors and Officers during the year ended August 31, 2021.