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

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**NOTICE TO READER**

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

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

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

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Nicholas Kadysh"

Director

"Kevin Roy"

Director

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

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

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

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

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

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

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

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

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

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

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

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

PharmAla Biotech Inc. ("PharmAla") was incorporated under the Business Corporations Act (British Columbia) on December 23, 2020. The registered head office of the Company is 1055 West Georgia Street P.O. Box 11117, Vancouver, BC V6E 4N7, Canada.

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

PharmAla Biotech Holdings Inc. (previously Greenridez 3.0 Acquisitions Corp.) ("Holdings Inc.") was incorporated under the Business Corporations Act (British Columbia) on January 12, 2021.

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

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. On January 11, 2022, the Company's shares were listed on the Canadian Securities Exchange ("CSE") under the symbol "MDMA".

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

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

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

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**PharmAla Biotech Holdings Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Three And Nine Months Ended May 31, 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 July 29, 2022, the date the Board of Directors approved the statements.

### **Revenue recognition**

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

### **Inventories**

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

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

**Accounting Standards Issued but not yet Applied**

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

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

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

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

**3. EQUIPMENT**

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

**4. INTANGIBLE ASSETS**

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

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



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**4. INTANGIBLE ASSETS (Continued)**

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

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

**5. REVERSE TAKEOVER**

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

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

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

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

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

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**5. REVERSE TAKEOVER (Continued)**

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

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

**6. SPECIAL WARRANTS**

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

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

**7. SHARE CAPITAL**

**Authorized share capital**

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

**Common shares issued**

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

**PharmAla Biotech Holdings Inc.**  
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**7. SHARE CAPITAL (Continued)**

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

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

**8. STOCK OPTIONS**

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

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

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

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

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

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

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

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**for the period from incorporation to May 31, 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**9. WARRANTS**

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

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

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

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

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

**10. LOSS PER SHARE**

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

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

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**11. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

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

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

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

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

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