PHARMALA BIOTECH HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022

(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, 2023	August 31, 2022
ASSETS		
Current		
Cash	**$ 731,722**	$ 852,138
Accounts receivables	**60,829**	23,216
Subscription receivables	**4,000**	4,000
HST receivable	**20,687**	23,334
Prepaid expenses and deposit (note 12)	**79,748**	66,443
Inventory	**116,343**	116,343
Total current assets	**1,013,329**	1,085,474
Fixed assets (note 3)	**2,953**	3,799
Intangible assets (note 4)	**1,380,243**	1,240,819
Total assets	**$ 2,396,525**	$ 2,330,092
LIABILITIES		
Current		
Accounts payables and accrued liabilities (note 12)	**$ 417,299**	$ 371,661
Customer deposits	**336,590**	52,122
Total liabilities	**753,889**	423,783
SHAREHOLDER'S EQUITY		
Share capital (note 6)	**4,831,536**	4,831,536
Contributed surplus (note 7)	**437,147**	379,150
Shares to be issued	**65,754**	-
Warrants (note 8)	**21,505**	190,272
Deficit	**(3,713,306)**	(3,494,649)
Total shareholder's equity	**1,642,636**	1,906,309
Total liabilities and shareholder's equity	**$ 2,396,525**	$ 2,330,092

Nature of operations and going concern (note 1)
Commitment and Contingencies (note 11)

Approved on behalf of the Board:

"Nicholas Kadysh"
Director

"Kevin Roy"
Director

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

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Six Months Ended February 28, 2023	Six Months Ended February 28, 2022
Revenue (note 10)	**$ 93,335**	$ -	**$ 93,335**	$ -
Expenses				
Consulting (note 12)	**142,934**	130,337	**250,815**	189,632
Depreciation and amortization (Note 3 and 4)	**13,178**	445	**26,356**	698
Investor relations (note 12)	**29,533**	32,819	**56,909**	89,554
Office and general (note 12)	**37,986**	47,609	**84,559**	56,293
Payroll expenses	**57,564**	39,260	**67,834**	58,754
Professional fees (note 12)	**(12,698)**	1,827	**36,587**	96,603
Stock based compensation (note 7 and 12)	**17,245**	33,036	**57,997**	96,520
SR&ED	**(145,619)**	-	**(152,433)**	-
Travel	**25,481**	-	**25,481**	-
Total expenses	**165,604**	285,333	**454,105**	588,054
Net loss and comprehensive loss for the period ended	**$ (72,269)**	$ (285,333)	**$ (360,770)**	$ (588,054)
Net loss and comprehensive loss per share - basic and diluted (note 9)	**$ 0.00**	$ (0.00)	**$ (0.00)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 9)	**82,998,600**	82,998,600	**82,998,600**	76,443,053

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 Ended February 28, 2023	2022
Operating activities		
Loss for the period ended	**$ (360,770)**	$ (588,054)
Items not affecting cash:		
Depreciation and amortization (note 3)	**26,356**	698
Stock based compensation (note 7)	**57,997**	96,520
Changes in non-cash working capital items:		
Accounts receivables	**(37,613)**	(95,000)
Prepaid expenses and deposit	**(13,305)**	(85,263)
HST receivable	**2,647**	33,936
Accounts payables and accrued liabilities	**45,638**	339,020
Customer deposits	**284,468**	4,246
Net cash used in operating activities	**5,418**	(293,897)
Investing activities		
Purchase of capital assets (note 3)	**-**	(2,989)
Intangible asset development costs (note 4)	**(164,934)**	(326,898)
Net cash (used in) provided by investing activities	**(164,934)**	(329,887)
Financing activities		
Deposits for shares to be issued (note 6)	**39,100**	-
Net cash provided by financing activities	**39,100**	-
(Decrease) increase in cash	**(120,416)**	(623,784)
Cash, beginning of period	**852,138**	2,472,380
Cash, end of period	**$ 731,722**	$ 1,848,596

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	Shares to be issued	Special Warrants	Warrants	Contributed Surplus	Deficit	Total
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)	40,689,600	2,635,692	-	(2,635,692)	-	-	-	-
Special warrants issued (net of transaction costs) (note 5 and 6)	-	-	-	-	-	-	-	-
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**
Balance, August 31, 2022	**82,998,600**	**$4,831,536**	**$ -**	**$ -**	**$ 190,272**	**$ 379,150**	**$ (3,494,649)**	**$ 1,906,309**
Expiry of warrants	-	-	-	-	(142,113)	-	142,113	-
Warrant exercises	-	-	65,754	-	(26,654)	-	-	39,100
Stock based compensation (note 7)	-	-	-	-	-	57,997	-	57,997
Net loss for the period	-	-	-	-	-	-	(360,770)	(360,770)
Balance, February 28, 2023	**82,998,600**	**$4,831,536**	**$ 65,754**	**$ -**	**$ 21,505**	**$ 437,147**	**$ (3,713,306)**	**$ 1,642,636**

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

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, 2023, the Company reported a net loss of $360,770 (six months ended February 28, 2022 - $588,054). The Company has cash balance of $731,722 (August 31, 2022 - $852,138) 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. Management is of the opinion that the Company will achieve profitable operations, or that sufficient working capital will be obtained from either external financing or through renegotiation of the maturity of its liabilities to sustain its operations for the foreseeable future and that the going concern assumption is appropriate. 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.

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.

2. BASIS OF PREPARATION (Continued)

Statement of compliance (Continued)

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, 2023, 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, 2022, 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, 2023 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, 2023, the date the Board of Directors approved the statements.

Accounting Standards Issued and adopted

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 Company has adopted this amendment on September 1, 2022, and there was no material impact to the unaudited condensed interim consolidated financial statements.

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 Company has adopted this amendment on September 1, 2022, and there was no material impact to the unaudited condensed interim consolidated financial 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, 2023 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.

(Expressed in Canadian Dollars)

3. EQUIPMENT

Equipment		Cost		Depreciation		Net book value
Balance, August 31, 2021	**$**	**2,667**	**$**	**303**	**$**	**2,364**
Additions		2,989		1,554		1,435
Balance, August 31, 2022	**$**	**5,656**	**$**	**1,857**	**$**	**3,799**
Additions		-		846		(846)
Balance, February 28, 2023	**$**	**5,656**	**$**	**2,703**	**$**	**2,953**

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;
- The development of novel delivery mechanisms for non-scheduled, and MDMA and MDXX class compounds; and
- Preclinical testing of MDXX molecules to advance development of the molecules through regulatory pathway into human trails.

Cost		MDXX		Process Development		Drug Delivery		Preclinical Testing		Total
Balance, August 31, 2021	**$**	**77,843**	**$**	**181,675**	**$**	**-**	**$**	**-**	**$**	**259,518**
Additions		253,699		540,677		27,500		170,006		991,882
Balance, August 31, 2022		**331,542**		**722,352**		**27,500**		**170,006**		**1,251,400**
Additions		97,031		42,903		-		25,000		164,934
Balance, February 28, 2023	**$**	**428,573**	**$**	**765,255**	**$**	**27,500**	**$**	**195,006**	**$**	**1,416,334**

Amortization		MDXX		Process Development		Drug Delivery		Preclinical Testing		Total
Balance, August 31, 2021	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Depreciation		-		10,581		-		-		10,581
Balance, August 31, 2022	**$**	**-**	**$**	**10,581**	**$**	**-**	**$**	**-**	**$**	**10,581**
Amortization		-		25,510		-		-		25,510
Balance, February 28, 2023	**$**	**-**	**$**	**36,091**	**$**	**-**	**$**	**-**	**$**	**36,091**

Net Book value		MDXX		Process Development		Drug Delivery		Preclinical Testing		Total
Balance, August 31, 2022	**$**	**331,542**	**$**	**711,771**	**$**	**27,500**	**$**	**170,006**	**$**	**1,240,819**
Balance, February 28, 2023	**$**	**428,573**	**$**	**729,164**	**$**	**27,500**	**$**	**195,006**	**$**	**1,380,243**

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 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.

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

(Expressed in Canadian Dollars)

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, August 31, 2021	**42,309,000**	**$**	**2,195,844**
Conversion of special warrants (note 5)	40,689,600		2,635,692
Balance, February 28, 2022, August 31, 2022, and February 28, 2023	**82,998,600**	**$**	**4,831,536**

Warrant exercises

During the six months ended February 28, 2023, the Company received funds for the exercise of warrants. These shares were issued after the period end February 28, 2023.

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, 2023 and 2021.

	Number of Stock options	Weighted Average Exercise Price ($)
Balance, August 31, 2021 and February 28, 2022	**5,010,000**	**0.07**
Balance, August 31, 2022 and February 28, 2023	**7,810,000**	**0.08**

During the three and six months ended February 28, 2023, the Company recorded $57,997 (February 28, 2022 - $96,520) related to options granted during prior periods.

The following table reflects the stock options issued and outstanding as of February 28, 2023:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
August 12, 2023	0.10	0.45	70,000	70,000
March 23, 2026	0.05	3.07	2,860,000	2,860,000
June 18, 2026	0.10	3.30	1,700,000	1,700,000
August 12, 2026	0.10	3.45	380,000	220,000
November 1, 2026	0.10	3.68	750,000	270,833
January 5, 2027	0.10	3.85	1,750,000	1,750,000
July 13, 2027	0.10	4.37	300,000	150,000
Total	**0.08**	**3.40**	**7,810,000**	**7,020,833**

(Expressed in Canadian Dollars)

8. WARRANTS

The Company had the following activity regarding warrants during the six months ended February 28, 2023 and 2022.

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, August 31, 2021, February 28, 2022 and August 31, 2022	**6,766,952**	**0.05**
Expired	(5,453,000)	0.05
Exercise of warrants	(782,000)	0.05
Balance, February 28, 2023	**531,952**	**0.10**

The following table reflects the actual warrants issued and outstanding as of February 28, 2023:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
May 14, 2023	0.10	0.21	531,952

9. LOSS PER SHARE

For the three and six months ended February 28, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $72,269 and $360,770, respectively (February 28, 2022 - $285,333 and $588,054, respectively) and the weighted average number of common shares outstanding of 82,998,600 and 82,998,600, respectively (February 28, 2022 - 82,998,600 and 76,443,053, respectively).

10. Revenue

The following is a breakdown of the Company's revenues by type for the three and six months ended February 28, 2023. There were no sales for the three and six months ended February 28, 2022.

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Six Months Ended February 28, 2023	Six Months Ended February 28, 2022
Product sales (*)	**$ 52,445**	$ -	**$ 52,445**	$ -
License revenue	**40,890**	-	**40,890**	-
Total	**$ 93,335**	$ -	**$ 93,335**	$ -

(*) Product sales consisted of engineering product which was expensed due to its nature.

11. COMMITMENTS AND CONTINGENCIES

Sales contracts

Pursuant to the sales contracts with customers, the Company receives deposits for sales contracts. Certain upfront costs are non-refundable, however due to the nature of the industry of which the Company operates in, completing performance obligation for the contract often requires regulatory approval from a number of agencies. The Company is committed to completing its performance obligations.

Contingencies

From time to time, the Company may become involved in various claims and litigation as part of its normal course of business. The Company is not currently aware of any claims and litigation that it is party to at this time.

12. 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 and six months ended February 28, 2023, the Company paid for professional fees of $28,533 and $41,730, respectively (February 28, 2022 - $4,619 and $7,026, respectively) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited, and Marrelli Trust Company Limited, collectively, the ("Marrelli Group"). The services provided by the Marrelli Group are for:

- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services; and
- Transfer agent services.

These services are required by the Company to maintain its reporting issuer status. As at February 28, 2023, the Marrelli Group was owed $5,102 (February 28, 2022 - $11,605) and this amount is included in accounts payable and accrued liabilities. These services were incurred in the normal course of business, and these cost are included in professional fees.

During three and six months ended February 28, 2023, the Company incurred consulting and payroll fees of $34,440 and $70,440, respectively (for the period from incorporation to February 28, 2022 - $35,358 and $72,000, respectively) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at February 28, 2023, 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.

During three and six months ended February 28, 2023, the Company incurred consulting fees of $nil and $750, respectively (February 28, 2022 - $nil) related to regulatory affairs to a company controlled by a Director. This service was incurred in the normal course of business, and these costs are included in investor relations.

During the three and six months ended February 28, 2023, the Company incurred stock based compensation expense of $16,928 and $46,840, respectively (February 28, 2022 - $50,169 and $105,803, respectively), relating to the vesting of the stock options to directors, and officers.