PHARMALA BIOTECH HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS -

YEAR ENDED AUGUST 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)

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 is a Canadian Biotechnology company dedicated to the development, manufacture and sales of MDMA and MDXX class molecules in service to the burgeoning clinical research community, and growing commercial use cases in select jurisdictions.

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 management's discussion and analysis ("MD&A") of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended August 31, 2023 and 2022. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations.

For the purposes of preparing this 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 PharmAla'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 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 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 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 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.

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.

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 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 development, 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 and non-research sales, in selected jurisdictions, however, the supply 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 2023, 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 October 4, 2022, the Company announced that it was selected as the MDMA manufacturing partner for a human MDMA trial at a campus of the University of California.

On October 6, 2022, in response to the Government of Alberta's announcement that they will legalize Psychedelic therapies, the Company announced that it stands ready to assist the Government of Alberta in supplying patients with clinical-grade drug product. However, many questions remain about how the Alberta government intends to deliver psychedelic molecules to patients under this new framework.

On October 11, 2022, the Company announced that it has retained Clerkenwell Health, a UK-based Contract Research Organization, to assist the Company in regulatory proceedings with both the US Food and Drug Administration (FDA) and the UK Medicines and Health Regulatory Authority (MHRA). PharmAla intends to bring ALA-002, its leading Novel Chemical Entity (NCE), to both jurisdictions. ALA-002 was designed to provide the same efficacy as MDMA, has an improved safety profile, including Cardio- and Neuro-tox, and fewer adverse events.

On October 13, 2022, the Company announced that it has retained Dr. Leah Mayo to the company's Scientific Advisory Board. Dr. Mayo recently took up the role of Parker Chair in Psychedelics Research at the Department of Psychiatry, the Hotchkiss Brain Institute and the Mathison Centre for Mental Health Research and Education at the University Calgary. Prior to her appointment, Dr. Mayo was Assistant Professor at the Center for Social and Affective Neuroscience, Linköping University (Sweden).

On November 2, 2022, the Company announced that it has submitted its pre-IND data meeting package to the US Food and Drug Administration (USFDA) in advance of its pre-IND meeting scheduled for later this month. The Company will be requesting FDA feedback on the nonclinical and CMC development plan to support the initial clinical trial for ALA-002.

On November 16, 2022, the Company announced that it has entered into an exclusive sales agreement with Mindset Pharma Inc. Under the sales agreement, the Company will be the exclusive global reseller of Mindset's cGMP psilocybin to appropriately licensed clinical researchers.

On January 24, 2023, the Company announced that its manufacturing partners have received an export permit for 300 grams of its LaNeo™.

On February 14, 2023, the Company announced that it has completed an agreement to sell a shipment of its GMP LaNeo MDMA to Emyria Ltd. Amidst growing interest in its products and technologies, PharmAla has submitted a trademark application for 'LaNeo' in Australia. The Therapeutic Goods Administration regulatory change will make Australia the first country in the world to allow specially-licensed psychiatrists to prescribe MDMA and Psilocybin for certain conditions, beginning July 1st.

On February 23, 2023, the Company announced the publication of a key Patent Cooperation Treaty (PCT) application containing 6 Novel Chemical Entities (NCEs). The application claims priority to and benefit of a United States provisional patent application filed on August 20, 2021. This PCT application disclosed novel compositions of MDMA and analogs thereof, which may be used to alleviate the known side effects of MDMA while retaining its efficacy.

On February 28, 2023, the Company completed its first Annual General Meeting as a publicly-traded company. The company report that all motions were adopted with zero votes against.

On March 22, 2023, the Company announced that it has been named the exclusive MDMA supplier to Awakn LS Europe Holdings Limited ("Awakn") (CSE:AWKN).

On April 11, 2023, the Company and Filament Health Corp., a clinical-stage natural psychedelic drug development company, and announced the GMP release of MDMA capsules at the Metro Vancouver facility operated by Filament's subsidiary Psilo Scientific.

On April 20, 2023, the Company announced that it has been selected as a MDMA manufacturing partner for the Clinical Psychedelic Lab at Monash University's upcoming Phase 2 Clinical Trial.

On April 25, 2023 the Company announced that it has received a signed purchase order for GMP LaNeo MDMA and Psilocybin by Incannex (ASX: IHL), a NASDAQ-listed psychedelic research company and clinic operator based in Australia.

On May 1, 2023, the Company announced the establishment of a 50:50 joint venture, with Australian-based Vitura Health Limited (ASX: VIT) ("Vitura"). Following the execution of a letter of intent between Vitura and PharmAla in late February, the parties have executed definitive agreements, including for the establishment of an incorporated joint venture vehicle, Cortexa Pty Ltd ("Cortexa"), which is owned equally by Vitura and PharmAla, pursuant to the terms of a joint venture agreement entered into among Cortexa, Vitura and PharmAla.

On May 16, 2023, the Company and its distribution partner, CCrest Laboratories (operating as Shaman Pharma, “Shaman”) have received an authorization to provide a number of its LaNeo MDMA capsules to a Canadian physician for treatment of a patient under Health Canada’s Special Access Program. PharmAla has confirmed with Health Canada that this is the first-ever authorization of an MDMA-assisted therapy treatment under the Special Access Program.

On June 09, 2023, the Company announced that it has been granted a research grant by the Ontario Centre for Innovation in conjunction with the University of Windsor.

On June 09, 2023, the Company reported that the US Food and Drug Administration (USFDA) has approved a clinical trial utilizing PharmAla’s LaNeo MDMA Investigational Medical Product (IMP) capsules (40mg). This is the first time that PharmAla’s IMP has been approved for trial use in the United States.

On June 12, 2023, the Company announced a non-brokered private placement of a minimum 3,333,333 units and a maximum 16,666,666 units of the Company (each a “Unit”) at a price of $0.30 per Unit. Each Unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles its holder to acquire one common share for a period of 24 months following the closing. In the event that, during the period following 24 months from the closing date, the volume-weighted average trading price of the common shares exceeds $0.675 per common share for any period of 20 consecutive trading days, the Company may, at its option, following such 20-day period, accelerate the expiry date of the warrants by issuing a press release, and, in such case, the expiry date of the warrants shall be deemed to be 5:00 p.m. (Toronto time) on the 30th day following the date of issuance of the press release.

On June 16, 2023, the Company announced the receipt of an export permit for the shipment of its allotment of GMP LaNeo MDMA to the University of Sydney. The shipment will mark the completion of the Company's US$125,000 contract with the University of Sydney, which was previously announced on August 31, 2022.

On July 4, 2023, the Company announced that Cortexa, its Joint Venture has executed its first purchase order for PharmAla’s GMP LaNeo MDMA, in both finished capsule and raw API forms. Cortexa will also be ordering an amount of GMP Psilocybin API. Cortexa’s first purchase order will have a total value of approximately $300,000 USD, and will be shipped on an expedited basis. Further the Company also announced that the previously-announced shipment to the University of Sydney has now cleared customs in Australia, completing the order.

On July 20, 2023, the Company announced it has received written guidance from the UK’s Medicines and Healthcare products Regulatory Agency’s (MHRA). The guidance constitutes, in part, advice that ALA-002 does not require further preclinical data in order for clinical trials to proceed.

On July 31, 2023, the Company announced that it has completed proof-of-concept animal experimentation and filed a patent for PharmAla-1, a novel chemical entity (NCE) which it believes will have broad commercial applicability as a psychiatric pharmaceutical. Further the Company announce the acceptance of its review article titled "Balancing therapeutic efficacy and safety of MDMA and novel MDXX analogues as novel treatments for autism spectrum disorder" for publication in the academic journal Psychedelic Medicine.

On Aug. 10, 2023, the Company announced that it made shipments to Mind Medicine Australia, and Orygen Institute affiliated with the university of Melborne. The shipment to Orygen represents the first of two shipments which will support a Clinical Trial registered by the Orygen Institute, with the second shipment scheduled for 2024.

EVENTS SUBSEQUENT TO AUGUST 31, 2023

Subsequent to the year ended August 31, 2023, the CEO of the Company exercised 825,000 stock options for gross proceeds of $70,000.

On September 06, 2023, the Company announced that it has qualified for trading on the OTCQB Venture Market (the "OTCQB") in the United States operated by the OTC Markets Group Inc. and the Company's common shares commenced trading on the OTCQB under the symbol "PMBHF". PharmAla's common shares will continue to trade on the Canadian Securities Exchange ("CSE") under the ticker "MDMA".

On September 25, 2023, the Company announced that it has received the first office action from the Patent Cooperation Treaty (PCT) filing for the company's novel PharmAla-1 (P-1) molecule. The filing for P-1 showed the molecule to be novel, with no previous Prior Art shown; it was also found to be inventive, due to the beneficial toxicology of P-1 compared to similar molecules, as shown by preclinical rodent model data generated by the laboratory of Prof. William Fantegrossi at the University of Arkansas for Medical Sciences. The Company attended the BIO Investor Day in San Francisco on October 16th-19th, 2023, where it shared the results of this and other research with pharmaceutical industry representatives.

On November 07, 2023, the Company announce that it has completed its first shipment of MDMA and psilocybin to Cortexa, its 50:50 Australian Joint Venture with Vitura Health Limited. This shipment marks the first time that any molecules recently re-scheduled under the Authorized Prescriber Scheme were brought into Australia explicitly for use under that scheme, rather than for clinical trial purposes. The shipment, completed in several parts, includes both psilocybin and MDMA, and contains a both API and finished drug product capsules.

On November 08, 2023, the Company announced that it has signed an exclusive long-term agreement (the "Partnership Agreement") with Clariti Strategic Advisors Inc. ("Clariti") of Toronto, pursuant to which Clariti will provide strategic and financial advisory services to the Company. In connection with Clariti's engagement, the Company has issued Clariti: (i) 2,300,000 stock options; and (ii) 2,300,000 restricted share units (each an "RSU"), pursuant to the Company's Option plan and RSU plan, respectively. Each Option is exercisable at a price of $0.175 per common share, expires ten years from the date of grant and vests only if there is, and prior to, a liquidity event (as such term is defined in the Partnership Agreement and excludes smaller capital raises). Each RSU expires ten years from the date of grant and vests only, (i) if there is, and prior to, a liquidity event (as such term is defined the Partnership Agreement and excludes smaller capital raises), and (ii) upon the Company receiving shareholder approval for the creation of the RSU plan, and shareholders ratifying this RSU grant, at the next meeting of shareholders of the Company.

On November 9, 2023, the University of Calgary, and Heroic Hearts Canada announced that they have completed a Letter of Intent, and received initial Ethics Board Approval, to initiate an Observational Trial on patients treated with MDMA through Health Canada's Special Access Program.

On November 15, 2023, the Company announced the GMP release of a second batch of MDMA capsules encapsulated at Filament's Metro Vancouver facility. The Company also reported on the execution of two exports by Filament, fulfilling contracts with Emyria and Monash University. The majority of the capsules manufactured in this Batch will be utilized in the Health Canada Special Access Program, as well as fulfillment of clinical trials in a variety of jurisdictions.

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.

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.

Selected Annual Financial Information

	Year ended August 31, 2023	Year ended August 31, 2022	Year ended August 31, 2021
Total assets	2,412,538	2,330,092	2,793,840
Total non-current liabilities	-	-	-
Total liabilities	1,029,022	423,783	138,479
Working capital	(315,072)	661,691	2,393,479
Total revenue	532,003	78,070	-
Net (loss) [1][2]	(779,813)	(985,583)	(2,509,066)
Net (loss) per share, basic and diluted	(0.01)	(0.01)	(0.08)

[1] The decrease in net loss for fiscal year 2023 compared to fiscal year 2022 is primarily attributable to revenues earned from the sale of MDMA.

[2] The decrease in net loss for fiscal year 2022 compared to fiscal year 2021 is primarily attributable to the Company not having any transaction costs, and increase in activities as the Company completed its first full fiscal year.

The Company has not, since the date of its incorporation, declared or paid dividends on its common shares. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business.

Selected Quarterly Information

The Financial Statements for the below quarters have been prepared in accordance with IFRS. The Company has consistently applied the accounting policies used in the preparation of the Financial Statements, including the comparative figures.

Three Months Ended	Net Revenue ($)	Net Income (Loss) Total ($)	Net Income (Loss) Per Share ($)
August 31, 2023	438,668 (1)	(80,301) (1)	(0.00)
May 31, 2023	-	(338,742)	(0.08)
February 28, 2023	93,335 (2)	(72,269) (2)	(0.00)
November 30, 2022	-	(288,501)	(0.00)
August 31, 2022	7,547	(191,448) (3)	(0.00)
May 31, 2022	70,523 (4)	(206,081)	(0.08)
February 28, 2022	-	(285,333) (5)	(0.00)
November 30, 2021	-	302,721 (6)	(0.00)

Notes:
(1) During the quarter the Company earned revenues which decreased its net loss for the period.
(2) During the quarter the Company received a SR&ED refund and revenues earned in the period.
(3) During the quarter the Company recognized revenue on the completion of a sale contract.
(4) The increase in costs related to the vesting of stock options.
(5) The Company completed a major milestone regarding process development, certain consulting contracts were no longer needed after the February 28, 2022 quarter.
(6) Costs increased as the Company incurred consulting costs to support the development of its intangible assets.

RESULTS OF OPERATIONS

Three months ended August 31, 2023, compared with the three months ended August 31, 2022

The following table provides an explanation of the significant increases and decreases for the three months ended August 31, 2023 compared to the three months ended August 31, 2022:

	For the three months ended August 31,			
	2023	**2022**	**Variance**	**Comments**
Revenue	$ (438,668)	$ (7,547)	$ (431,121)	During the current period the Company completed a number of shipments (refer to "Corporate Highlights" above), and recorded license revenue from Cortexa.
Cost of goods sold	77,904	434	77,470	COGS will vary period to period depending on the shipments and receipts by customers.
Consulting	181,438	(85,649)	267,087	During the prior quarter the Company undertook a review of its IP and certain costs which were not previously included were reallocated to the cost of intangible assets. Further consulting expenses have increased compared to the prior period to reflect that the Company is public.
Investor relations	38,216	(2,573)	40,789	Prior to the comparative period the Company had previously over accrued for certain expense which resulted in a negative balance in the comparative period.
Professional fees	131,087	82,207	48,880	Professional fees increased compared to the prior quarter to account for the year end audit fee, audit support, and legal fees.
Stock based compensation	5,278	125,544	(120,266)	In the prior comparative period the Company granted 2.8M stock options, no stock options were granted in the current period, these options had a vesting period, which the Company recognized the expense in the current period.
Other expenses and revenues	85,046	79,032	6,014	Non-significant variances in other expenses and revenues items.
Total	**$ 80,301**	**$ 191,448**	**$ (111,147)**	

Year ended August 31, 2023, compared with three months ended August 31, 2022

The following table provides an explanation of the significant increases and decreases for the year ended August 31, 2023 compared to the year ended August 31, 2022:

	2023	2022	Variance	Comments
Revenue	$ (532,003)	$ (78,070)	$ (453,933)	During the current year the Company sold and shipped MDMA, engineering-grade (non-GMP) of MDMA and recorded revenue from the grant of a license, and recorded license revenue from Cortexa. In the prior year the Company recognized revenue from one customer.
Cost of goods sold	77,904	2,288	75,616	COGS will vary year over year depending on the shipments and receipts by customers.
Consulting	563,090	183,287	379,803	During the current year consulting costs increased as the Company utilized more consultants to assist with its operations.
Depreciation and amortization	52,765	12,135	40,630	During the fourth quarter of the prior year the Company started amortizing its process development intangible as it was made available for use.
Professional fees	243,937	198,889	45,048	Professional fees increased to support the setup of the joint venture.
Stock based compensation	67,725	236,531	(168,806)	In the prior comparative year the Company granted 2.8M stock options, no stock options were granted in the current year, these options had a vesting period, which the Company recognized the expense in the current year.
Scientific research and experimental development	(152,433)	-	(152,433)	During the current year the Company received a SR&ED refund.
Other expenses and revenues	458,828	430,523	28,305	Non-significant variances in other expenses and revenues items.
Total	**$ 779,813**	**$ 985,583**	**$ (205,770)**	

Off-Balance-Sheet Arrangements

As of the date of this 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 generated operating revenues from its business operations. However to date the Company has not generated sufficient operating revenues to meet its business operations cash flows, 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 sales and external financings to generate capital. On August 31, 2023, the Company also had 6,040,000 options which are exercisable that would raise

$541,000, 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 August 31, 2023, the Company had a cash balance of $195,042 as a result of cash outflows in operating activities of $339,656, cash outflows in investing activities of $506,735, and cash inflows from financing activities of $189,295.

Operating activities were affected by net loss of $779,813, items not affecting cash of $63,295, and net non-cash working capital balances of $376,862. Items not affecting cash consisted of depreciation and amortization of $52,765, stock based compensation of $67,725, bad debt expense of $16,863, and offset by accrued license revenue of $74,058.

Net change in the non-cash working capital balance consisted of customer and Cortexa deposits of $391,202, accounts payables and accrued liabilities of $214,037, and offset by HST receivable of $1,197, accounts receivables of $114,547, inventory of $5,849, and prepaid expenses and deposit of $106,784.

Investing activities cash outflows were due to intangible asset development costs of $506,735.

Financing activities cash inflows were due the proceeds from exercise of warrants of $92,295, and proceeds from exercise of stock options of $97,000.

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 August 31, 2023.

Principal Purposes	Allocated ($)	Spent ($)	Remaining ($)
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	(2,010,000)	139,000

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.

CORTEXA JOINT VENTURE

On May 1, 2023, the Company along with Australian-based Vitura Health Limited (ASX: VIT) each acquired a 50% equity interest in Cortexa. Cortexa has exclusive rights to manufacture and distribute MDMA and Psilocybin in Australia under GMP conditions using PharmAla's manufacturing technology and intellectual property. Cortexa is controlled by a board consisting of equal representatives of both the Company and Vitura. Cortexa is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method.

PharmAla may make available from time to time products to Cortexa for import into Australia for supply to medical practitioners under the Therapeutic Goods Administration ("TGA") Authorised Prescriber 2 scheme. During the year ended August 31, 2023, the Company accrued license revenue of $74,058 (AUS 83,333).

Cortexa has a licence based on PharmAla's manufacturing technology and intellectual property, allowing for the manufacturing of MDMA and Psilocybin in Australia under GMP conditions.

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, warrants, contributed surplus and, accumulated deficit, which at August 31, 2023 totaled equity of $1,383,516.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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.

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 year ended August 31, 2023, the Company paid for professional fees of $75,142 (August 31, 2022 - $43,712) 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 August 31, 2023, the Marrelli Group was owed $13,000 (August 31, 2022 - $11,605) and this amount is included in accounts payables and accrued liabilities. These services were incurred in the normal course of business, and these cost are included in professional fees.

During year ended August 31, 2023, the Company incurred consulting and payroll fees of $149,760 (August 31, 2022 - $144,000) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at August 31, 2023, the CEO and companies controlled by the CEO were owed $80,170 (August 31, 2022 - $10,170) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

During year ended August 31, 2023, the Company incurred consulting fees of $101,600 (August 31, 2023 - $72,908) to a company controlled by the Chief Operating Officer ("COO"). This service was incurred in the normal course of business, and these costs are included in consulting fees. As at August 31, 2023, companies controlled by the COO were owed $8,000 (August 31, 2022 - $nil) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

During year ended August 31, 2023, the Company incurred consulting fees of $750 (August 31, 2022 - $18,075) 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 year ended August 31, 2023, the Company incurred advertising fees of $3,299 (August 31, 2022 - $45,675) related to development of a marketing and communication plan to a company controlled by a Director. This service was incurred in the normal course of business, and these cost are included in office and general.

During the year ended August 31, 2023, the Company incurred stock based compensation expense of $44,926 (August 31, 2022 - $255,857).

On January 5, 2022, the Company granted stock options to directors, and officers to purchase 1,750,000 common shares of the Company at an exercise price of $0.10 for a period of 5 years following the date of grant.

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.

SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently throughout the year presented in the consolidated financial statements.

Summary of Accounting Estimates and Assumptions

Joint arrangement - Based on the terms of the Joint Venture Agreement between PharmAla and Ventura dated May 1, 2023, the Company has determined the joint arrangement is a form of joint venture and the Company is required to account for its share in the joint venture company by using the equity method. Judgement is required to classify the joint arrangement as a joint venture. The joint arrangement is held through a separate vehicle and the terms of the Joint Venture Agreement indicate the Company has the rights to the net assets, however other facts and circumstances may suggest the Company does not have joint control of certain assets and liabilities. As a result, Cortexa is a joint venture.

Revenue recognition

The Company generates revenue primarily from the sale of tablets, and raw MDMA and MDXX compounds. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

- *Identify the contract with a client;*
- *Identify the performance obligations in the contract;*
- *Determine the transaction price;*
- *Allocate the transaction price to the performance obligations; and*
- *Recognize revenue when, or as, the Company satisfies a performance obligation.*

Revenue may be earned over time as the performance obligations are satisfied or at a point in time, and recognized when control over the goods has been transferred to the customer. Payment is due based on the underlying terms of the agreement. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

The Company's arrangements with clients can include multiple performance obligations. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for as a separate unit of accounting under IFRS 15, Revenue from Contracts with Customers.

The Company determines the standalone selling price by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include discounting practices, the size and volume of our transactions, our marketing strategy, historical sales and contract prices. The determination of standalone selling prices is made through consultation with and approval by management, taking into consideration our go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative standalone selling prices.

Inventories

Inventory consists of finished MDMA and MDXX compounds. Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. When the reversal of previously written down inventories is recognized, this reversal is recognized in net income. The cost of purchased inventory comprise the purchase price and other costs directly attributable to the acquisition of inventory and any cost of conversion. Trade discounts and rebates are deducted in the costs of the purchase of finished goods. A write-down is recorded to cost of goods sold for any slow moving or obsolete inventory.

Financial Assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company has measured cash at FVTPL, accounts receivables and subscription receivables at amortized cost.

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in profit or loss.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statement of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statement of loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. Accounts payable and accrued liabilities and customer deposits are measured at amortized cost.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statement of loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Classification of financial instruments

The following is a summary of significant categories of financial instruments outstanding at August 31, 2023:

Cash and cash equivalents	FVTPL
Accounts receivables	Amortized cost
Subscription receivables	Amortized cost
HST receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Customer deposits	Amortized cost

Carrying value and fair value of financial assets and liabilities are approximately equal.

Fair value hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Joint venture

The Company has assessed the nature of its joint arrangements and determined it to be a joint venture. whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. An interest in a joint venture is accounted for using the equity method in accordance with IAS 28. It is recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees until the date on which significant influence or joint control ceases. If the Company's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Company discontinues recognizing its share of further losses. The interest in a joint venture is the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the Company's net investment in the joint venture. Such items include long-term receivables and loans. Losses recognized using the equity method in excess of the entity's investment in shares are applied to the other components of the Company's interest in the joint venture in the reverse order of their liquidity. Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). The Company has assessed the nature of its joint arrangements and determined it to be a joint venture, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Equipment

Equipment is stated at cost less accumulated depreciation and impairment loss. The cost of an asset consists of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of the equipment is 3 years, in which is depreciated over that time.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within the statement of loss and other comprehensive loss.

Intangible assets

Intangible assets consist of costs incurred to acquire patents, unpatented technology, inprogress research, development programs, and trademarks. Development expenditures are capitalized as intangible assets only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable to the Company and the Company has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in the consolidated statements of comprehensive loss as incurred. Research costs are expensed in the period that they are incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite lives, or not yet available for use are not amortized, and are subject to an annual recoverability impairment assessment.

Detail	Rate	Method
MDXX	These assets are not yet available for use.	N/A
Process development	15 years	Straight-line
Preclinical testing	These assets are not yet available for use.	N/A
Drug delivery	These assets are not yet available for use.	N/A

Impairment of long-lived assets and intangible assets

Long-lived assets and intangible assets are reviewed for impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

The estimated useful lives, residual values, and amortization methods are reviewed at each year end or more frequently if events or changes in circumstances indicate potential impairment, and any changes in estimates are accounted for prospectively.

Research and development

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- *the technical feasibility of completing the intangible asset so that it will be available for use or sale;*
- *its intention to complete the intangible assets and use or sell it;*
- *how the asset will generate future economic benefits;*
- *the availability of resources to complete the asset; and*
- *the ability to measure reliably the expenditure during development.*

Financing Costs

Costs incurred to obtain equity financing are deducted from the value assigned to shares issued. When costs are incurred prior to the closing of a financing arrangement, these amounts are presented as a deferred asset until the financing has closed. When an expected financing arrangement does not occur, any deferred costs are recorded as an expense.

Government assistance

Government assistance consist of grants received under the refundable scientific research and experimental development tax credits ("SR&ED"). Currently government assistance is recorded in net income or loss upon cash receipt. When reasonable assurance exists that the Company has complied with the terms and conditions of the SR&ED program and that the grant will be received the grant will be recorded on an accrual basis.

Income Taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs. Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Loss Per Share

Basic (loss) earnings per share is calculated by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period which excludes shares held in escrow. All of the escrow shares are considered contingently returnable until the Company completes a qualifying transaction and, accordingly, are not considered to be outstanding shares for the purposes of the loss per share calculation.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, any stock options or warrants outstanding are excluded from the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Stock based Payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based payments recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the closing exchange rate being the rate prevailing on the statement of financial position date. Non-monetary assets and liabilities are translated at historical rates of exchange at the time of the acquisition of assets or obligations incurred. Revenues and expenses are translated at the rate of exchange in effect at the date of the transactions. Foreign exchange translation gains and losses are recorded in operations in the period in which they occur.

Summary of Accounting Estimates and Assumptions

The preparation of these consolidated financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Revenue recognition

Revenue is recognized when the revenue recognition criteria expressed in the accounting policy stated above for Revenue Recognition have been met. Judgment may be required when allocating revenue or discounts on sales amongst the various elements in a sale involving multiple deliverables, or performance obligations that are satisfied over time.

The Company collect advance payments in accordance with the contract terms. These payments are deferred as customer deposits until such time as the revenue recognition criteria are met, at which time the customer deposit is recognized as revenue.

Income taxes

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

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

Share-based payments

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

Going concern

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

Scientific research and experimental development ("SR&ED")

The determination of the amount of the Federal and British Columbia SR&ED tax credit requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the claim, the Company does not have reoccurring history of claim submission and it is possible that the amounts could increase or decrease by a material amount submitted, dependent on the review and audit by the government agency. Reasonable assurance of collection has not been obtained and therefore the claim is recorded upon cash receipt.

The capitalization of costs for internally generated intangible assets

The capitalization of costs for internally generated intangible assets is subject to judgment including the technical feasibility, timeframe to commercialization, assessment of availability of resources to complete the project, and if economic benefits will be generated from its use.

Impairment of intangible assets

The recoverability and useful lives of capitalized intangible assets which are included in the consolidated statements of financial position. Management's assessment of whether indicator of impairment are present requires judgment based on facts and circumstances as reporting period ends. There is a material degree of judgment with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future

Estimated Useful Lives of Equipment and Intangible Assets

Depreciation of equipment and intangible assets is dependent upon estimates of useful lives based on management's judgment. Judgment is required in evaluating potential impairment indicators at reporting period ends.

Valuation of inventory

The Company adjusts inventory values so that the carrying values do not exceed the net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates with regards to the amount of current inventory that will be sold, the prices at which it will be sold, and an estimate of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for products, obsolescence, change in product offerings, technology changes and competition.

ACCOUNTING PRONOUNCEMENTS

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 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 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.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity and equity price risk). There were no changes to the Company's risk factors during the year ended August 31, 2023.

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable cash, subscription receivables, accounts receivable and HST receivable. Cash is held with reputable Canadian financial institutions, and receivables are from trusted institutions or individuals from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2023, the Company had cash of $195,042 to settle current liabilities of $1,029,022. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market risk factors. The Company is not exposed to significant market risk.

Share Capital

As of the date of this MD&A, the Company had 84,975,600 issued and outstanding common shares, and had no warrants, and no special warrants outstanding.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price ($)
1,260,000	March 23, 2026	0.05
1,600,000	June 18, 2026	0.10
380,000	August 12, 2026	0.10
750,000	November 1, 2026	0.10
1,750,000	January 5, 2027	0.10
300,000	July 13, 2027	0.10

Risks and Uncertainties

Due to the nature of the Company's business, the legal and economic climate in which the Company operates and the present stage of development of its business, the Company may be subject to significant risks. An investment in the Company's shares should be considered highly speculative. The Company's future development and actual operating results may be very different from those expected as at the date of this MD&A. There can be no certainty that the Company will be able to implement successfully its strategies. No representation is or can be made as to the future performance of the Company and there can be no assurance that the Company will achieve its objectives. An investor should carefully consider each of, and the cumulative effect of, the following factors.

Limited Operating History

The Company has a limited operating history in its industry upon which its business and future prospects may be evaluated. The Company is subject to all of the business risks and uncertainties associated with a new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues and the risk that the Company will not achieve its operating goals. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations.

Actual Financial Position and Results of Operations May Differ from Expectations of Management

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Psychedelics Regulatory Risk

The psychedelic therapy and psychopharmalogical industries are new and emerging industries with substantial existing regulations and uncertainty as to future regulations. There can be no guarantee related to the future legal status of psychedelic compounds in Canada, the United States or other jurisdictions. The jurisdictional treatment of the substances would have a significant impact on the ability of the Company to continue operating or expand its business. The Company's prospects and reputation may also be impacted by developments of these laws.

Violations of Laws and Regulations Could Result in Repercussions

In the United States, certain psychedelic drugs, including MDMA and multiple other MDXX compounds, are classified as Schedule I drugs under the CSA and the Controlled Substances Import and Export Act (the "CSIEA") and as such, medical and recreational use currently is illegal under the United States federal laws. Certain other jurisdictions have similarly regulated certain psychedelic drugs. The Company's programs involving Schedule I drugs are conducted in strict compliance with the laws and regulations regarding the production, storage and use of Schedule I drugs. As such, all facilities engaged with such substances by or on behalf of the Company do so under current licenses and permits issued by appropriate federal, provincial, state and local governmental agencies. While the Company is conducting research and development of MDMA, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any United States federal laws and regulations, such as the CSA and CSIEA, or of similar legislation in the jurisdictions in which it operates, including Taiwan, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges. The loss of the necessary licenses and permits for Schedule I drugs could have an adverse effect on the Company's operations.

Lack of Supporting Clinical Data

The clinical effectiveness and safety of any of the Company's developmental products is not yet supported by clinical data and the medical community has not yet developed a large body of peer reviewed literature that supports the safety and efficacy of the Company's products. If future studies call into question the safety or efficacy of the Company's products, the Company's business, financial condition, and results of operations could be adversely affected.

Research and Development Risk

A principal component of the Company's business strategy is to expand its product offering. As such, the Company's organic growth and long-term success is dependent in part on its ability to successfully develop new and current products and it will likely incur significant research and development expenditures to do so. The Company cannot be certain that any investment in research and development will yield technically feasible or commercially viable products. Furthermore, its ability to discover and develop products will depend on its ability to:

- retain key scientists as employees or partners;
- identify high quality therapeutic targets and unmet medical needs;
- identify potential drug candidates and medical devices;
- develop products internally and assist its partners with development;
- successfully complete laboratory testing and clinical trials on humans;
- obtain and maintain necessary intellectual property rights to the Company's products;
- obtain and maintain necessary U.S. and other regulatory approvals for its products;
- collaborate with third parties to assist in the development of its products; and
- enter into arrangements with third parties to co-develop, license, and commercialize its products.

The Company may not be successful in discovering and developing drug and medical device products. Failure to introduce and advance new and current products could materially and adversely affect the Company's operations and financial condition.

Clinical Development Risks

The Company must demonstrate the safety and efficacy of its products through, among other things, extensive clinical testing. The Company's drug research and development programs are at an early stage of development. Numerous unforeseen events during, or as a result of, the testing process could delay or prevent commercialization of any products the Company develops, including the following:

- the results of early clinical studies may be inconclusive, may demonstrate potentially unsafe drug characteristics, or may not be indicative of results that will be obtained in later human clinical trials;
- the safety and efficacy results attained in the early clinical studies may not be indicative of results that are obtained in later clinical trials; and
- after reviewing early clinical study results, the Company or its partners or collaborators may abandon projects that were previously thought to be promising.

Clinical studies are very expensive, can run into unexpected difficulties and the outcomes are uncertain. Clinical studies of the Company's products may not be completed on schedule or on budget. The Company's failure to complete any of its clinical studies on schedule or on budget, or its failure to adequately demonstrate the safety and efficacy of any of the products it develops, could delay or prevent regulatory approval of such products, which could adversely affect the Company's business, financial condition, and results of operations.

Regulatory Approval, Licenses and Permits

The Company may be required to obtain and maintain certain permits, licenses, and approvals in the jurisdictions where its products or technologies are being researched, developed, or commercialized. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits, or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition, and results of operations.

In particular, the Company will require approval from the FDA and equivalent organizations in other countries before any of its products can be marketed. There is no assurance that such approvals will be forthcoming. Furthermore, the exact nature of the studies these regulatory agencies will require is not known and can be changed at any time by the regulatory agencies, increasing the financing risk and potentially increasing the time to market the Company faces, which could adversely affect the Company's business, financial condition or results of operations.

Inability to Identify, Discover or License Product Candidates and Reliance on Third Parties

The success of the Company's business depends on its ability to utilize its artificial intelligence platform to identify and evaluate new medical indications for psychedelic-derived pharmaceuticals and license such pharmaceuticals. The Company's research programs and artificial intelligence platform may fail to yield product candidates and the Company may fail to license identified product candidates for a number of reasons, including but not limited to the following:

- the Company's research process may be unsuccessful in identifying new uses for the psychedelic-derived drugs evaluated and product candidates suitable for repurposing;
- the Company may not be able or willing to assemble sufficient resources to identify or discover additional product candidates;
- the Company may not succeed in partnering with third parties to advance identified product candidates to the experimental research stage of drug repurposing;
- the Company's identified product candidates may not succeed in pre-clinical or clinical testing;
- pharmaceutical companies may develop alternatives that render the Company's identified product candidates obsolete or less attractive;
- the market for an identified product candidate may change during the Company's program so that such a product candidate may not be attractive to pharmaceutical companies;
- an identified product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- an identified product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors.

If any of these events occurs, the Company may be forced to abandon its efforts to identify, discover or license product candidates, which would have a material adverse effect on its business and could potentially cause the Company to cease operations. Research programs to identify new product candidates require substantial technical, financial and human resources. The Company may focus its efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful.

In addition, the Company does not yet manufacture any products and currently relies, and intends to rely, on third parties to manufacture the products that the Company identifies as product candidates. The Company's research, development and commercialization of its product candidates could be stopped or delayed if any such third party fails to provide sufficient quantities of any products, fails to provide products at acceptable quality levels or prices or fails to achieve satisfactory regulatory compliance. If any of these events occurs, the Company may be forced to abandon its research, development and commercialization programs in respect of certain or all products, which would have a material adverse effect on its business and could potentially cause the Company to cease operations.

No Assurance of Profits or Revenues

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Intellectual Property and Licenses

The Company's success is heavily dependent on the Company's intangible properties and technologies, and will depend in part on its ability to protect and maintain its intellectual property rights. No assurance can be given that the patents with respect to the Company's artificial intelligence technology the Company will not be challenged, invalidated, infringed or circumvented, nor that the patents will provide competitive advantages to the Company. Moreover, the Company could potentially incur substantial legal costs in defending legal actions which allege patent infringement or by instituting patent infringement suits against others. The Company's commercial success also depends on the Company not infringing patents or proprietary rights of others. There can be no assurance that the Company will be able to maintain such licenses that it may require to conduct its business or that such licences have been obtained at a reasonable cost. Furthermore, there can be no assurance that the Company will be able to remain in compliance with any such licenses. Consequently, there may be a risk that such licenses may be withdrawn with no compensation or penalties to the Company.

Product Liability

The risk of product liability is inherent in the research, development, marketing and use of pharmaceutical products. Product candidates and products that the Company may license or sell in the future may cause, or may appear to have caused, injury or dangerous drug reactions, and expose the Company to product liability claims. These claims might be made by patients who use the product, healthcare providers, pharmaceutical companies, corporate collaborators or others selling such products. Regardless of the merits or eventual outcome, product liability claims or other claims related to the Company's product candidates may result in:

- decreased demand for the Company's services or willingness to partner with the Company due to negative public perception;
- injury to the Company's reputation;
- initiation of investigations by regulators;
- costs to defend or settle related litigation;
- a diversion of management's time and resources;
- substantial monetary awards to patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to license or sell any of the Company's identified product candidates.

The insurance coverage of any insurance obtained by the Company may not be sufficient to reimburse the Company for any expenses or losses it may suffer. Insurance coverage is becoming increasingly expensive, and, in the future, the Company, or any of its collaborators, may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or at all to protect against losses due to liability. Even if the Company's agreements with any future collaborators entitle it to indemnification against product liability losses, such indemnification may not be available or

adequate should any claim arise. If a successful product liability claim or series of claims is brought against the Company for uninsured liabilities or in excess of insured liabilities, its assets may not be sufficient to cover such claims and its business operations could be impaired.

Should any of the events described above occur, this could have a material adverse effect on the Company's business, financial condition and results of operations.

Unproven Market for Products and Technologies

The Company believes that the anticipated market for its potential products and technologies will continue to exist and expand. These assumptions may prove to be incorrect for a variety of reasons, including competition from other products and technologies and the degree of commercial viability of the potential product candidates identified by the Company's artificial intelligence platform. Even when product candidates are successfully identified, the Company's ability to generate significant revenue depends on the acceptance of such identified product candidates by the Company's potential partners and pharmaceutical companies. The Company cannot be sure that its products and technologies or any identified product candidates will achieve the expected market acceptance and demand. Any factors preventing or limiting the market acceptance of the Company's products and technologies or any identified product candidates for licensing could have a material adverse effect on the Company's business, results of operations, and financial condition.

Because the psychedelics industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Publicity or Consumer Perception

The Company believes psychedelic pharmaceuticals industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of psychedelic compounds. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to MDMA and psychedelic pharmaceutical markets or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's services. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company and the demand for the Company's services. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of MDMA or other psychedelic compounds in general, or other negative effects or events related to medications and other psychedelic compounds, could have such a material adverse effect.

Changes to Patent Law

Important legal issues remain to be resolved as to the extent and scope of available patent protection for biopharmaceutical and technological processes in Canada and other important markets outside Canada, such as Europe or the United States. As such, litigation or administrative proceedings may be necessary to determine the validity, scope and ownership of certain of the Company's and others' proprietary rights. Any such litigation or proceeding may result in a significant commitment of resources in the future and could force the Company to do one or more of the following: cease using any of its future products that incorporate a challenged intellectual property, which would adversely affect its revenue; obtain a license or other rights from the holder of the intellectual property right alleged to have been infringed or otherwise violated, which license may not be available on reasonable terms, if at all; and redesign its future products to avoid infringing or violating the intellectual property rights of third parties, which may

be time-consuming or impossible to do. In addition, changes in patent laws in Canada and other countries may result in allowing others to use its discoveries or develop and commercialize the Company's products. The Company cannot provide assurance that the patents it obtains will afford it significant commercial protection.

Enforcement of Intellectual Property in Other Jurisdictions

The laws of foreign countries may not protect intellectual property rights to the same extent as the laws of Canada. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. This risk is exacerbated for the Company because it expects that identified product candidates may be licensed or used in a number of foreign countries.

The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection. This could make it difficult to stop the infringement or other misappropriation of the Company's intellectual property rights. For example, several foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, some countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents and trade secrets may provide limited or no benefit.

Most jurisdictions in which the Company intends to apply for patents have patent protection laws similar to those of Canada, but some of them do not. For example, the Company may do business in the future in countries that may not provide the same or similar protection as that provided in Canada. Additionally, due to uncertainty in patent protection law, the Company has not filed applications in many countries where significant markets exist.

Proceedings to enforce patent rights in foreign jurisdictions could result in substantial costs and divert the Company's efforts and attention from other aspects of its business. Accordingly, efforts to protect intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in Canada, the US, and foreign countries may affect the Company's ability to obtain adequate protection for its technology and the enforcement of its intellectual property.

Need for Additional Financing

The Company has no history of significant earnings and, due to the nature of its business, there can be no assurance that the Company will be profitable. There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the Common Shares. If adequate funds are not available on acceptable terms, the Company may be unable to develop or enhance its products and services, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on its business, financial condition and operating results, or the Company may be forced to cease operations.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Negative Operating Cash Flow

The Company's business has incurred losses since its inception. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, the Company has not generated any revenues and a large portion of the Company's expenses are fixed, including expenses related to facilities, equipment, contractual commitments and personnel. As a result, the Company expects for its net losses from operations to improve. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to manufacture and market its products and services. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Reputational Damage in Certain Circumstances

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Internal Controls over Financial Reporting

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Difficulties with Forecasts

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the psychedelic-derived pharmaceuticals industry. A failure in the demand for its products and services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Retention and Acquisition of Management and Skilled Personnel

The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, the Company will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them.

Key Person Insurance

The Company does not maintain key person insurance on any of its directors or officers, and as result the Company would bear the full loss and expense of hiring and replacing any director or officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by the Company from such loss of any director or officer.

Legal Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom the Company does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.

Regulatory Compliance Risks

Achievement of the Company's business objectives is subject to compliance with regulatory requirements enacted by governmental authorities. The Company may incur costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

In both domestic and foreign markets, the development, formulation, manufacturing, packaging, labeling, handling, distribution, import, export, licensing, sale and storage of pharmaceuticals and medical devices are affected by a body of laws, governmental regulations, administrative determinations, including those by the FDA, court decisions and similar constraints. Such laws, regulations and other constraints can exist at the federal, provincial or local levels in Canada and at all levels of government in foreign jurisdictions. There can be no assurance that the Company and the Company's partners are in compliance with all of these laws, regulations and other constraints. The Company and its partners may be required to incur significant costs to comply with such laws and regulations in the future, and such laws and regulations may have an adverse effect on the business. The failure of the Company or its partners to comply with current or future regulatory requirements could lead to the imposition of significant penalties or claims and may have a material adverse effect on the business. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements might result in significant compliance costs or lead the Company and its partners to discontinue product development and could have an adverse effect on the business.

Risks Relating to the Common Shares

No Established Market, Market Price of Common Shares and Volatility

Securities of companies with a small market capitalization have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally, as well as market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, listed on the Exchange, to be delisted, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price of the Common Shares will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline below the initial purchase price.

Dividends

The Company intends to retain earnings, if any, to finance the growth and development of the Company's business and does not intend to pay cash dividends on the Common Shares in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Dilution

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance its operations, development, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Company's earnings per Common Share.

Sales of Substantial Amounts of the Common Shares

Sales of substantial amounts of the Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Securities or Industry Analysts

The trading market for the Common Shares will depend in part on the research and reports that securities or industry analysts publish about the Company or its business. The Company does not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering the Company, the trading price for the Common Shares may be negatively impacted. If the Company obtains securities or industry analyst coverage and if one or more of the analysts who cover the Company downgrade the Common Shares or publish inaccurate or unfavorable research about its business, the trading price of the Common Shares may decline. If one or more of these analysts cease coverage of the Company or fail to publish reports on us regularly, demand for the Common Shares could decrease, which could cause the trading price and volume of the Common Shares to decline.

Future Sales of Common Shares by Principal Shareholders, Officers and Directors

Subject to compliance with applicable securities laws and the terms of any arrangements described under "Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer", the officers, directors, principal shareholders and their affiliates may sell some or all of the Common Shares held by such party in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by the Company's officers, directors, and any principal shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Common Shares.

Accordingly, if the Company's principal shareholders sell substantial amounts of securities in the public market, the market price of such securities could fall. Additional Common Shares issuable upon the exercise of stock options or the conversion of Common Shares may also be available for sale in the public market after the date of the listing of the Common Shares, which may also cause the market price of the Common Shares to fall.

Tax Issues

Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers prior to investing in Common Shares of the Company.

Discretion as to the Use of Available Funds

The Company's management will have broad discretion in how it uses the funds available to it. Management may use the available funds in ways that purchasers may not consider desirable. The results and the effectiveness of the application of the funds are uncertain. If the funds are not applied effectively, the results of the Company's operations may suffer. Management currently intends to allocate the available funds as described under "Use of Available Funds", however, management may elect to allocate the funds differently from that described under "Use of Available Funds" if it believes it would be in the Company's best interest to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the available funds.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (a) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (b) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.