PHARMALA BIOTECH HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS -

QUARTERLY HIGHLIGHTS

THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024

(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 Interim Management's Discussion and Analysis ("Interim MD&A") of the Company for the three and six months ended February 29, 2024 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the year ended August 31, 2023 This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1 of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's annual consolidated financial statements, together with the notes thereto, and Annual MD&A for the year ended August 31, 2023. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed consolidated interim financial statements for the three and six months ended February 29, 2024, and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of April 29, 2024, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of the Company (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of 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 Interim MD&A contains forward-looking information and statements ("forward-looking statements") which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Forward-looking statements reflect the current expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the actual results, performance or events to be materially different from any future results, performance or events that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Interim MD&A. Although the Company has attempted to identify important factors that could cause actual results, performance or events to differ materially from those described in the forward-looking statements, there could be other factors unknown to management or which management believes are immaterial that could cause actual results, performance or events to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or events may vary materially from those expressed or implied by the forward-looking statements contained in this Interim MD&A. These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Forward-looking statements contained herein are made as of the date of this Interim MD&A and the Company assumes no responsibility to update forward looking statements, whether as a result of new information or otherwise, other than as may be required by applicable securities laws.

Forward-looking statements	Assumptions	Risk factors
The Company's (i) development of product candidates, (ii) demonstration of such product candidates' safety and efficacy in clinical trials, and (iii) obtaining regulatory approval to commercialize these product candidates.	Financing will be available for development of new product candidates and conducting clinical studies; the actual results of the clinical trials will be favourable; development costs will not exceed PharmAla's expectations; the Company will be able to retain and attract skilled staff; the Company will be able to recruit suitable patients for clinical trials; all requisite regulatory and governmental approvals to commercialize the product candidates will be received on a timely basis upon terms acceptable to PharmAla; applicable economic conditions are favourable to PharmAla.	Availability of financing in the amount and time frame needed for the development and clinical trials may not be favourable; increases in costs; uncertainties of COVID-19 pandemic; the Company's ability to retain and attract skilled staff; the Company's ability to recruit suitable patients for clinical trials; timely and favourable regulatory and governmental compliance, acceptances, and approvals; interest rate and exchange rate fluctuations; changes in economic conditions.
The Company's ability to obtain the substantial capital it requires to fund research and operations.	Financing will be available for PharmAla's research and operations and the results thereof will be favourable; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to PharmAla.	Changes in debt and equity markets; uncertainties of COVID-19 pandemic; timing and availability of external financing on acceptable terms; increases in cost of research and operations; interest rate and exchange rate fluctuations; adverse changes in economic conditions.

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 Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward- looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

BUSINESS OVERVIEW

PharmAla is a Canadian biotechnology company dedicated to the 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. 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 end-users like researchers and clinicians, is currently generating revenue, the Company also believes that manufacturing of generic molecules is unlikely to yield stable long-term revenue as the supply of these molecules increases over time. As such, the Company believes that significantly more long-term value can be derived from activity which generates significant Intellectual Property, such as the Company's business lines (2) and (3). While these business lines are likely to generate significant value in the long-term, they are unlikely to generate short-term cash revenue as this revenue is dependent on the Company achieving its regulatory milestones.

OPERATIONAL HIGHLIGHTS

Corporate Highlights

On September 6, 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 had 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 7, 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 8, 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.

On December 29, 2023, the Company the Company filed its audited financial statements for the year ended on August 31, 2023.

On January 8, 2024, the Company announced that it has received approval to move its PharmAla-1 (P1) molecule through the US Patent and Trademark Office (USPTO) Patent Prosecution Highway pathway based on the positive Patent Cooperation Treaty (PCT) initial office action previously announced by PharmAla. The Company attended the JPM Healthcare Conference in San Francisco on January 8th-11th, 2024, where it shared the recent developments for P-1 and its other research programs with potential pharmaceutical industry partners.

On January 24, 2024, the Company announced effective immediately that its ticker on the OTC was changed from PMBHF to MDXXF.

On January 25, 2024, the Company announced it had received a Controlled Drugs and Substances Dealer's License, which allows the Company to communicate directly with appropriate individuals about its MDMA and Psilocybin offerings.

On January 31, 2024 the Company presented its Q1 Interim Financial Statement for the period ending November 30, 2023, where it showed a quarterly profit for the first time in its history.

On February 9, 2024, the Company announced that it has entered into a consulting relationship with Red Light Holland Corp. to consult on the development of clinical-grade Psilocybin Drug Product extracted from Red Light Holland Corp. mushroom portfolio.

On February 20, 2024, the Company announced that data from its computational Drug Discovery program, in conjunction with the University of Waterloo (laboratory of Dr. James Gauld) and made possible by funding from MITACS, will be published in the scientific journal ACS Chemical Neuroscience this week.

On February 22, 2024, the Company announced that it has been accepted as a client of Intellectual Property Ontario (IPON). IPON works with innovators, businesses, and researchers to provide access to expert IP education, financial support, and mentorship to help maximize the value of IP, strengthen their capacity to grow, compete in the market, and enhance research and commercialization outcomes. PharmAla is further pleased to note that IPON has approved its initial Scope of Work pertaining to the national phase entry into numerous markets of the PharmAla ALA and ABA molecule families and will provide a non-dilutive grant of approximately $35,000 to PharmAla to complete this work. IPON will cover up to 80% of eligible costs based on approved scopes of work. IPON clients have access to future calls of up to $100,000 of non-dilutive IP funding.

On February 27, 2024, the Company held is annual general and special meeting of the shareholders. The proposals outlined in the Voting Instruction Form were accepted by the shareholders, including the approval of a restricted share unit plan.

EVENTS SUBSEQUENT TO FEBRUARY 29, 2024

On March 8, 2024, the Company granted an aggregate of 2,050,000 RSUs to certain directors, officers, employees and consultants of the Company pursuant to the Equity Incentive Plan. A total of 950,000 RSUs granted vest quarterly over a one-year period with the remaining 1,100,000 RSUs vesting quarterly over a two year period.

On March 18, 2024, the Company announced that, through its joint venture, Cortexa Pty. Ltd. (Cortexa), in what is an Australian and the Company believes a world first, has supplied GMP Psilocybin for therapeutic use outside of a clinical trial to a patient under the authorised prescriber In doing so, Cortexa is now established as the only Australian company able to immediately supply and deliver both GMP MDMA and Psilocybin for both clinical trials and prescriptions via the TGA's Authorised Prescriber Scheme. scheme. The patient was being treated with Psilocybin for treatment resistant depression.

On March 20, 2024, the Company announced that allowance has been granted for the Composition of Matter of its PharmAla-1 (P-1) molecule by the US Patent and Trademark Office (USPTO).

On March 26, 2024, the Company announced that it had entered into a binding sales agreement with Numinus Wellness Inc. to provide its GMP LaNeo™ MDMA for a prospective clinical trial.

On March 27, 2024, the Company announced that the USPTO has indicated it is issuing an allowance for the granting of a patent for ALA-002, the company's lead investigational MDXX Novel Chemical Entity (NCE). This provides the Company a strong basis for ongoing protection of this intellectual property (IP).

On April 5, 2024, the Company announced that, in another Australian first, its joint venture, Cortexa, is proud to have commenced batch manufacturing of GMP LaNeo® MDMA 40mg capsules to support both clinical trials and clinical use under the TGA's Authorised Prescriber pathway.

On April 19, 2024, the Company announced that it has closed its non-brokered private placement offering of units of the Company (each, a "Unit") at a price of $0.18 per Unit for aggregate gross proceeds of up to $750,000 (the "Offering"). Each Unit shall consist of one common share in the share capital of the Company and one-half of one warrant of the Company. Each warrant will entitle the holder thereof to acquire one additional common Share at a price of $0.27 prior to 4:30 pm (Toronto Time) on the date that is thirty six months following the closing date.

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.

RESULTS OF OPERATIONS

Three months ended February 29, 2024, compared with the three months ended February 28, 2023

The following table provides an explanation of the significant increases and decreases for the three months ended February 29, 2024 compared to the three months ended February 28, 2023:

	For the three months ended		Variance	Comments
	February 29, 2024	**February 28, 2023**		
Revenue	$ (90,418)	$ (93,335)	$ 2,917	During the current period the Company recognized revenue from its license revenue from Cortexa and a Grant from IPON. In the prior quarter the Company sold and shipped an engineering batch and recorded revenue from the grant of a license.
Consulting	52,599	142,934	(90,335)	The Company has taken steps to reduce its reliance on outside consultants.
Research and testing costs	32,169	-	32,169	The Company preforms testing on batches of product produced, and other misc testing which is no longer being capitalized.
Professional fees	82,626	(12,698)	95,324	Professional fees increased compared to the prior quarter to account for the increased year end audit fee, audit support, and legal fees. In the prior comparative quarter certain legal fees were reallocated to intangible assets.
SR&ED refund	-	(145,619)	145,619	During the prior period the Company received a SR&ED refund.
Other expenses and revenues	145,591	180,987	(35,396)	Non-significant variances in other expenses and revenues items.
Total	**$ 222,567**	**$ 72,269**	**$ 150,298**	

Six months ended February 29, 2024, compared with three months ended February 28, 2023

The following table provides an explanation of the significant increases and decreases for the six months ended February 29, 2024 compared to the six months ended February 28, 2023:

	For the six months ended		Variance	Comments
	February 29, 2024	February 28, 2023		
Revenue	$ 842,888	$ 93,335	$ 749,553	During the current period the Company sold and shipped MDMA for a number of customers. In the prior comparative quarter sales were minimal as the Company was still ramping up production.
Cost of goods sold	292,958	-	292,958	COGS will vary year over year depending on the shipments and receipts by customers. In the prior quarter the Company sold an engineering batch which was previously expensed.
Consulting	153,377	250,815	(97,438)	The Company has taken steps to reduce its reliance on outside consultants.
Research and testing costs	73,835	-	73,835	The Company preforms testing on batches of product produced, and other misc testing which is no longer being capitalized.
SR&ED refund	-	(152,433)	152,433	During the prior period the Company received a SR&ED refund.
Deferred joint venture portion of sales	169,430	-	169,430	During the period the Company made sales to Cortexa, a portion of the sales were not sold to unrelated inventors.
Other expenses and revenues	339,378	355,723	(16,345)	Non-significant variances in other expenses and revenues items.
Total profit (loss)	**$ (186,090)**	**$ (360,770)**	**$ 1,324,426**	

LIQUIDITY AND CAPITAL RESOURCES

The activities of the Company, principally the research and development of MDMA and MDXX, are financed through revenues generated by the manufacturing line of its business, 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 February 29, 2024, the Company also had 7,515,000 options which are exercisable that would raise $873,500, 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 February 29, 2024, the Company had a cash balance of $40,347 as a result of cash outflows in operating activities of $92,286, cash outflows in investing activities of $132,409, and cash inflows from financing activities of $70,000.

Operating activities were affected by net loss of $186,090, items not affecting cash of $131,114, and net non-cash working capital balances of $37,310. Items not affecting cash consisted of depreciation and amortization of $31,569, stock based compensation of $75,372, deferred joint venture portion of sales of $169,430, and offset by accrued revenue of $145,257.

Net change in the non-cash working capital balance consisted of accounts receivables of $25,440, inventory of $112,033, accounts payables and accrued liabilities of $153,415, offset by HST receivable of $51,706, prepaid expenses and deposit of $62,810, and customer and Cortexa deposits of $213,682.

Investing activities cash outflows were due to intangible asset development costs of $132,409.

Financing activities cash inflows were due the proceeds from exercise of stock options of $70,000.

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 summarizes the Company's current estimated budget for fiscal 2024, rounded to the nearest thousandth.

	Allocated ($)	Spent ($)	Remaining ($)
General and administrative costs	950,000	(433,149)	516,851
Sales and marketing	100,000	(26,500)	73,500
Research and development	4,674,000	-	4,674,000
Total	5,724,000	(459,649)	5,264,351

Based on the Company's working capital deficit of $456,630 on February 29, 2024 (August 31, 2023 – working capital deficit of $315,072), the Company anticipates it will not have sufficient funds for its operating and research and development. However, the Company anticipates that it will have sufficient funds based on grants, sales, and financings. There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Company to maintain its operations.

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 period ended February 29, 2024, the Company accrued license revenue of $145,257 (AUS 125,000).

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 February 29, 2024 totaled equity of $1,342,798.

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

OFF-BALANCE-SHEET ARRANGEMENTS

As of the date of this Interim MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

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.

During the three and six months ended February 29, 2024, the Company paid professional fees of $20,683 and $33,710, respectively (February 29, 2024 - $28,533 and $41,730, respectively), to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited, and Marrelli Trust Company Limited, collectively, the ("Marrelli Group") a group of companies controlled by the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting, financial reporting matters, corporate secretarial services, and transfer agent services.. As at February 29, 2024, Marrelli Support was owed $4,827 (August 31, 2023 - $13,000) with respect to services provided. The amounts are unsecured, non-interest bearing, and are due on demand.

During three and six months ended February 29, 2024, the Company incurred consulting and payroll fees of $36,000 and $72,000, respectively (February 28, 2023 - $34,440 and $70,440, respectively) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at February 29, 2024, the CEO and companies controlled by the CEO were owed $50,850 (August 31, 2023 - $80,170) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

During three and six months ended February 29, 2024, the Company incurred consulting fees of $24,723 and $49,363, respectively (February 29, 2024 - $25,941 and $49,941, respectively) 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 February 29, 2024, companies controlled by the COO were owed $18,897 (August 31, 2023 - $8,000) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

During three and six months ended February 29, 2024, the Company incurred consulting fees of $nil (February 28, 2023 - and $750, respectively) related to regulatory affairs to a company controlled by a Director. This service was incurred in the normal course of business, and these costs are included in investor relations.

During the three and six months ended February 29, 2024, the Company incurred stock based compensation expense of $621 and $1,365, respectively (February 28, 2023 - $16,928 and $46,840, respectively).

During the three and six months ended February 29, 2024, the Company received funds for the exercise of 825,000 options for gross proceeds of $70,000 from the CEO, with a black scholes value of $52,003.

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 same accounting policies and methods of computation are followed in preparing the unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2023, except for the below due to the grant of RSUs.

Restricted Share Units

The Company grants RSUs to acquire common shares of the Company to directors, officers, employees, and consultants. The fair value of RSUs is measured at grant date, using the closing quoted bid price on the issuance date.

ACCOUNTING PRONOUNCEMENTS

Accounting Standards Issued and adopted

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

Accounting Standards Issued but not yet Applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2024 or later periods.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

SHARE CAPITAL

As of the date of this Interim MD&A, the Company had 91,124,219 issued and outstanding common shares, and had no special warrants outstanding.

Warrants outstanding for the Company at the date of this Interim MD&A were as follows:

Warrants	Expiry Date	Exercise Price ($)
2,083,333	April 19, 2027	0.27

RSUs outstanding for the Company at the date of this Interim MD&A were as follows:

Options	Expiry Date
2,300,000	November 3, 2033
2,075,000	March 8, 2024

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

Options	Expiry Date	Exercise Price ($)
1,010,000	March 23, 2026	0.05
1,025,000	June 18, 2026	0.10
330,000	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
2,300,000	November 6, 2033	0.175

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative, involving numerous and significant risks, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Please refer to the section entitled "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended August 31, 2023, available on SEDAR at www.sedar.com.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company 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 such certificate are not making any representations relating to the establishment and maintenance of:

1) 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
2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (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 such 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.