
PHARMALA BIOTECH HOLDINGS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2024 AND 2023
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

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

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

As at,	May 31, 2024	August 31, 2023
ASSETS		
<i>Current</i>		
Cash	\$ 495,807	\$ 195,042
Accounts receivables (note 4)	283,152	194,958
Subscription receivables	4,000	4,000
HST receivable	21,115	24,531
Prepaid expenses and deposit	33,828	173,227
Inventory	202,638	122,192
Total current assets	1,040,540	713,950
Equipment (note 3)	847	2,102
Intangible assets (note 5)	1,830,248	1,696,486
Total assets	\$ 2,871,635	\$ 2,412,538
LIABILITIES		
<i>Current</i>		
Accounts payables and accrued liabilities (note 14)	\$ 536,910	\$ 585,698
Customer deposits	177,264	189,787
Cortexa deposits (note 11)	-	253,537
Deferred joint venture portion of sales (note 11)	169,430	-
Total liabilities	883,604	1,029,022
SHAREHOLDER'S EQUITY		
Share capital (note 6)	5,835,539	5,139,502
Contributed surplus (note 7 and 8)	618,402	376,363
Warrants (note 9)	265,680	-
Deficit	(4,731,590)	(4,132,349)
Total shareholder's equity	1,988,031	1,383,516
Total liabilities and shareholder's equity	\$ 2,871,635	\$ 2,412,538

Nature of operations and going concern (note 1)
Commitment and Contingencies (note 13)
Subsequent event (note 15)

Approved on behalf of the Board:

"Nicholas Kadysh"

Director

"Kevin Roy"

Director

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

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2024	2023	2024	2023
Revenue (note 12)	\$ 139,847	\$ -	\$ 982,735	\$ 93,335
Cost of goods sold	4,004	-	296,962	-
Gross profit	135,843	-	685,773	93,335
Expenses				
Consulting (note 14)	51,875	130,837	205,252	381,652
Depreciation and amortization (note 3 and 5)	15,778	13,178	47,347	39,534
Investor relations (note 14)	11,914	15,741	48,346	72,650
Office and general (note 14)	51,517	33,110	124,691	117,669
Research and testing costs	6,048	-	79,883	-
Payroll expenses (note 14)	38,881	55,407	59,950	123,241
Professional fees (note 14)	144,745	76,263	235,168	112,850
Stock based compensation (note 7, 8 and 14)	222,382	4,450	297,754	62,447
SR&ED refund	-	-	-	(152,433)
Travel	5,854	9,756	17,193	35,237
Total expenses	548,994	338,742	1,115,584	792,847
Deferred joint venture portion of sales (note 11)	-	-	169,430	-
Net loss and comprehensive loss for the period	\$ (413,151)	\$ (338,742)	\$ (599,241)	\$ (699,512)
Net loss and comprehensive loss per share				
- basic and diluted (note 10)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding				
- basic and diluted (note 10)	89,147,112	82,998,600	87,512,039	82,998,600

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

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

	Nine Months Ended	
	May 31,	
	2024	2023
Operating activities		
Profit (loss) for the period ended	\$ (599,241)	\$ (699,512)
<i>Items not affecting cash:</i>		
Depreciation and amortization (note 3 and 5)	47,347	39,534
Stock based compensation (note 7 and 8)	297,754	62,447
Deferred joint venture portion of sales (note 11)	169,430	-
<i>Changes in non-cash working capital items:</i>		
Accounts receivables	(88,194)	23,216
Prepaid expenses and deposit	139,399	(20,019)
HST receivable	3,416	(580)
Inventory	(80,446)	(101,789)
Accounts payables and accrued liabilities	59,212	53,101
Customer and Cortexa deposits	(266,060)	335,461
Net cash used in operating activities	(317,383)	(308,141)
Investing activities		
Intangible asset development costs (note 5)	(179,854)	(237,299)
Net cash used in investing activities	(179,854)	(237,299)
Financing activities		
Proceeds from private placement (net of issuance costs)	723,002	-
Proceeds from exercise of warrants (note 6)	-	92,295
Proceeds from exercise of stock options (note 6)	75,000	97,000
Net cash provided by financing activities	798,002	189,295
Increase (Decrease) in cash	300,765	(356,145)
Cash, beginning of period	195,042	852,138
Cash, end of period	\$ 495,807	\$ 495,993

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

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

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, August 31, 2022	82,998,600	\$ 4,831,536	\$ 190,272	\$ 379,150	\$ (3,494,649)	\$ 1,906,309
Exercise of stock options (note 6)	1,770,000	167,512	-	(70,512)	-	97,000
Expiry of warrants	-	-	(142,113)	-	142,113	-
Warrant exercises (note 6)	1,313,952	140,454	(48,159)	-	-	92,295
Stock based compensation (note 8)	-	-	-	62,447	-	62,447
Net loss for the period ended	-	-	-	-	(699,512)	(699,512)
Balance, May 31, 2023	86,082,552	\$ 5,139,502	\$ -	\$ 371,085	\$ (4,052,048)	\$ 1,458,539
Balance, August 31, 2023	86,082,552	\$ 5,139,502	\$ -	\$ 376,363	\$ (4,132,349)	\$ 1,383,516
Share issuance (net of costs) (note 6)	4,166,665	457,322	265,680	-	-	723,002
Shares issued for services	600,000	108,000	-	-	-	108,000
Exercise of stock options (note 6)	875,000	130,715	-	(55,715)	-	75,000
Stock based compensation (note 7 and 8)	-	-	-	297,754	-	297,754
Net loss for the period ended	-	-	-	-	(599,241)	(599,241)
Balance, May 31, 2024	91,724,217	\$ 5,835,539	\$ 265,680	\$ 618,402	\$ (4,731,590)	\$ 1,988,031

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

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

PharmAla is a Canadian Biotechnology company dedicated to the 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 Biotech Holdings Inc. (previously Greenridez 3.0 Acquisitions Corp.) ("Holdings Inc.") was incorporated under the Business Corporations Act (British Columbia) on January 12, 2021.

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

On May 1, 2023, the Company along with Australian-based Vitura Health Limited (ASX: VIT) ("Vitura") each own 50% equity interest in Cortexa Pty Ltd. ("Cortexa" or "Joint Venture"). Cortexa has exclusive rights to manufacture and distribute MDMA and Psilocybin in Australia under GMP conditions using PharmAla's manufacturing technology and intellectual property.

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" (note 11). On January 24, 2024 the Company ticker on the OTC was changed from PMBHF to MDXXF.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the nine months ended May 31, 2024, the Company reported a net loss of \$599,241 (nine months ended May 31, 2023 - loss of \$699,512), and cumulative deficit of \$4,731,590 as of May 31, 2024 (August 31, 2023 - \$4,132,349). As of May 31, 2024, the Company has cash balance of \$495,807 (August 31, 2023 - \$195,042). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations and/or to obtain additional financing. Management is of the opinion that the Company will achieve profitable operations, or that sufficient working capital will be obtained from either increased sales through access to new markets or new clients, or external financing to sustain its operations for the foreseeable future and that the going concern assumption is appropriate. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that might cause significant doubt regarding the going concern assumption.

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

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

2. BASIS OF PREPARATION

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The preparation of financial statements in accordance with International Accounting Standards (IAS) 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these unaudited condensed interim consolidated financial statements were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended August 31, 2024, except as noted below.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2023, other than those noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending August 31, 2024 could result in restatement of these unaudited condensed interim consolidated financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed interim consolidated financial statements were issued and effective as of July 25, 2024, the date the Board of Directors approved the statements.

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 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.

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

2. BASIS OF PREPARATION (Continued)

Accounting Standards Issued but not yet Applied

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

3. EQUIPMENT

Equipment	Cost	Depreciation	Net book value
Balance, August 31, 2022	\$ 5,656	\$ (1,857)	\$ 3,799
Additions	-	(1,697)	(1,697)
Balance, August 31, 2023	5,656	(3,554)	2,102
Additions	-	(1,255)	(1,255)
Balance, May 31, 2024	\$ 5,656	\$ (4,809)	\$ 847

4. ACCOUNTS RECEIVABLES

Accounts receivables consist of:

	May 31, 2024	August 31, 2023
Trade receivables	\$ 54,423	\$ 138,804
Other receivables	245,592	73,017
Allowance for bad debt	(16,863)	(16,863)
Total	\$ 283,152	\$ 194,958

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The aging of the net trade receivables at each reporting date was as follows:

	Current	Past due 1-90	Past due 91-181	Past due >182	Total
May 31, 2024	\$ -	\$ 25,990	\$ -	\$ 11,570	\$ 37,560
August 31, 2023	\$ -	\$ 90,319	\$ 31,622	\$ -	\$ 121,941

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

5. INTANGIBLE ASSETS

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

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

Cost	MDXX	Process Development	Drug Delivery	Preclinical Testing	Total
Balance, August 31, 2022	\$ 331,542	\$ 722,352	\$ 27,500	\$ 170,006	\$ 1,251,400
Additions	242,829	199,313	-	64,593	506,735
Balance, August 31, 2023	574,371	921,665	27,500	234,599	1,758,135
Additions	179,854	-	-	-	179,854
Balance, May 31, 2024	\$ 754,225	\$ 921,665	\$ 27,500	\$ 234,599	\$ 1,937,989

Amortization	MDXX	Process Development	Drug Delivery	Preclinical Testing	Total
Balance, August 31, 2022	\$ -	\$ 10,581	\$ -	\$ -	\$ 10,581
Amortization	-	51,068	-	-	51,068
Balance, August 31, 2023	\$ -	\$ 61,649	\$ -	\$ -	\$ 61,649
Amortization	-	46,092	-	-	46,092
Balance, May 31, 2024	\$ -	\$ 107,741	\$ -	\$ -	\$ 107,741

Net Book value	MDXX	Process Development	Drug Delivery	Preclinical Testing	Total
Balance, August 31, 2023	\$ 574,371	\$ 860,016	\$ 27,500	\$ 234,599	\$ 1,696,486
Balance, May 31, 2024	\$ 754,225	\$ 813,924	\$ 27,500	\$ 234,599	\$ 1,830,248

6. SHARE CAPITAL

Authorized share capital

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

Common shares issued

	Number of Shares	Share Capital
Balance, August 31, 2022	82,998,600	\$ 4,831,536
Exercise of stock options	1,770,000	167,512
Exercise of warrants	1,313,952	140,454
Balance, May 31, 2023	86,082,552	\$ 5,139,502

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

6. SHARE CAPITAL (Continued)

Common shares issued (continued)

	Number of Shares	Share Capital
Balance, August 31, 2023	86,082,552	\$ 5,139,502
Issuance of shares	4,166,665	750,000
Fair value of warrants	-	(265,680)
Share issuance costs	-	(26,998)
Shares issued for services	600,000	108,000
Exercise of stock options	875,000	130,715
Balance May 31, 2024	91,724,217	\$ 5,835,539

On April 19, 2024, the Company closed its non-brokered private placement issuing 4,166,665 units at a price of \$0.18 per unit for aggregate gross proceeds of up to \$750,000, and incurred share issuance costs of \$26,998. Each unit shall consist of one common share in and one-half of one warrant. Each warrant will entitle the holder thereof to acquire one additional common Share at a price of \$0.27 prior to April 19, 2027. The warrants were valued at 265,680 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: share price - \$0.215; risk free interest rate – 4.55%; expected volatility – 100%; expected dividend yield - nil; expected life - 3 years.

Warrant exercises

During the period ended May 31, 2023, the Company received funds for the exercise of 1,313,952 warrants for gross proceeds of \$92,295, with a black scholes value of \$48,159.

Option exercises

During the period ended May 31, 2023, the Company received funds for the exercise of 1,770,000 options for gross proceeds of \$97,000, with a black scholes value of \$70,512.

During the period ended May 31, 2024, the Company received funds for the exercise of 875,000 options for gross proceeds of \$75,000, with a black scholes value of \$55,715.

7. RESTRICTED SHARE UNITS

Under the Company's Restricted Stock Unit ("RSU") plan ("RSU Plan"), the Company may issue RSUs to directors, officers, employees, and consultants, and may be granted for a maximum term of ten years from the date of the grant. The Board of Directors are responsible for determining if the RSU vest immediately or have vesting conditions.

The Company had the following RSUs activity during the periods ended May 31, 2024 and 2023:

	Number of RSUs	Weighted Average Price (\$)
Balance, August 31, 2022, May 31, 2023 and August 31, 2023	-	-
Issued	4,375,000	0.175
Balance, May 31, 2024	4,375,000	0.175

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

7. RESTRICTED SHARE UNITS

On November 3, 2023, the Company issued 2,300,000 RSUs to Clariti Strategic Advisors Inc, which vest based upon liquidity event and have an expiry date of 10 years. Based on the Company's estimate a liquidity event like this may take place in approximately 2 years.

On March 8, 2024, the Company issued 2,050,000 RSUs to certain directors, officers, employees and consultants, 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.

For the period ended May 31, 2024 the Company recorded share-based compensation of \$245,837 related to the vesting of the restricted share units.

The following table reflects the RSUs issued and vested as of May 31, 2024:

Grant Date	Number of RSUs Outstanding	Number of RSUs Vested
November 3, 2023	2,300,000	-
March 8, 2024	2,050,000	378,125
Total	4,350,000	378,125

8. STOCK OPTIONS

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

The Company had the following stock options activity during the periods ended May 31, 2024 and 2023.

	Number of Stock options	Weighted Average Exercise Price (\$)
Balance, August 31, 2022	7,810,000	0.08
Exercised	(1,770,000)	0.05
Balance, May 31, 2023	6,040,000	0.09
Balance, August 31, 2023	6,040,000	0.09
Issued	2,300,000	0.175
Exercised	(875,000)	0.09
Balance, May 31, 2024	7,465,000	0.12

During the three and nine months ended May 31, 2024, the Company recorded \$27,181 (May 31, 2023 - \$62,447) related to options granted in prior reporting periods.

On November 6, 2023, the Company granted stock options to directors, officers and advisors to purchase 2,300,000 common shares of the Company at an exercise price of \$0.175 for a period of 10 years following the date of grant, and vest upon a liquidity event. The options were valued at \$157,200 using a Black-Scholes valuation model with the following assumptions: share price of \$0.14 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 4.45%, and expected life of 2 years. During three and nine months ended May 31, 2024, the Company recorded stock based compensation expense of \$24,736 related to this grant of stock options.

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

8. STOCK OPTIONS (Continued)

The following table reflects the stock options issued and outstanding as of May 31, 2024:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
March 23, 2026	0.05	1.81	1,010,000	1,010,000
June 18, 2026	0.10	2.05	1,025,000	1,025,000
August 12, 2026	0.10	2.20	330,000	245,000
November 1, 2026	0.10	2.42	750,000	583,333
January 5, 2027	0.10	2.60	1,750,000	1,750,000
July 13, 2027	0.10	3.12	300,000	300,000
November 6, 2033	0.175	9.44	2,300,000	-
Total	0.12	4.51	7,465,000	4,913,333

9. WARRANTS

The Company had the following activity regarding warrants during the nine months ended May 31, 2024 and 2023.

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, August 31, 2022	6,766,952	0.05
Expired	(5,453,000)	0.05
Exercised	(1,313,952)	(0.05)
Balance, May 31, 2023	-	-
Balance, August 31, 2023	-	-
Issued (note 6)	2,083,331	0.215
Balance, May 31, 2024	2,083,331	0.215

The following table reflects the actual warrants issued and outstanding as of May 31, 2024:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
April 19, 2027	0.215	2.88	2,083,331

10. INCOME (LOSS) PER SHARE

For the three and nine months ended May 31, 2024, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$413,151 and \$599,241, respectively (May 31, 2023 - \$338,742 and \$699,512, respectively) and the weighted average number of common shares outstanding of 89,147,112 and 87,512,039, respectively (May 31, 2023 - 82,998,600 and 82,998,600, respectively).

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

11. 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.

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).

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.

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. During the three and nine months ended May 31, 2024, the Company accrued license revenue of \$166,138 (AUS 187,500).

The following table summarizes, in aggregate, the financial information of Cortexa. The amounts included in the IFRS financial statements of the associate are presented in Australian dollars, and adjusted to reflect adjustments made by the Company when using the equity method.

	May 31, 2024 (AUS)	August 31, 2023 (AUS)
Cash	117,132	391,471
Total current assets	565,362	640,985
Total non-current assets	-	-
Total assets	565,362	640,985
Total current liabilities	282,597	739,709
Total non-current liabilities	780,318	70,248
Net assets	(497,553)	(168,972)
	Nine Months Ended May 31,	
	2024 (AUS)	2023 (AUS)
Revenue	(154,922)	-
Loss from continuing operations and total comprehensive loss	(505,992)	-

Under the equity method, the Company's share of losses in Cortexa equals or exceeds its interest in Cortexa, the Company discontinues recognising its share of further losses. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of Cortexa. If Cortexa subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

As part of its operations the Company from time to time may sell either raw GMP or encapsulated product to Cortexa to facilitate sales (downstream transaction), under the equity method transactions involving assets must be recognised only to the extent of unrelated investors' interests. During the three and nine months ended May 31, 2024, the Company made sales of \$437,340 (US \$322,000), and deferred the gain on sales of \$169,430.

PharmAla Biotech Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three And Nine Months Ended May 31, 2024 and 2023
(Expressed in Canadian Dollars)
(Unaudited)

12. REVENUE

The following is a breakdown of the Company's revenues by type:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2024	2023	2024	2023
Product sales	\$ 14,589	\$ -	\$ 712,221	\$ 93,335
Grant revenue	(4,692)	-	30,126	-
License revenue (note 11)	55,700	-	166,138	-
Consulting revenue	74,250	-	74,250	-
Total	\$ 139,847	\$ -	\$ 982,735	\$ 93,335

13. 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.

14. RELATED PARTY TRANSACTIONS

During the three and nine months ended May 31, 2024, the Company paid professional fees of \$25,618 and \$59,328, respectively (May 31, 2023 - \$19,217 and \$60,947, respectively), to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing 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 May 31, 2024, Marrelli Support was owed \$5,799 (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 nine months ended May 31, 2024, the Company incurred consulting and payroll fees of \$36,000 and \$108,000, respectively (May 31, 2023 - \$40,987 and \$111,427, respectively) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at May 31, 2024, the CEO and companies controlled by the CEO were owed \$14,276 (August 31, 2023 - \$80,170) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

During three and nine months ended May 31, 2024, the Company incurred consulting fees of \$24,000 and \$73,363, respectively (May 31, 2023 - \$37,880 and \$87,821, 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 May 31, 2024, companies controlled by the COO were owed \$nil (August 31, 2023 - \$8,000) inclusive of HST, and this amount was included in accounts payables and accrued liabilities.

14. RELATED PARTY TRANSACTIONS (Continued)

During three and nine months ended May 31, 2024, the Company incurred consulting fees of \$nil (May 31, 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 three and nine months ended May 31, 2024, the Company incurred advertising fees of \$nil (May 31, 2023 - \$3,299) 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.

See note 6.

During the three and nine months ended May 31, 2024, the Company incurred stock based compensation expense of \$80,157 and \$81,522, respectively (May 31, 2023 - \$2,415 and \$49,255, respectively).

15. SUBSEQUENT EVENTS

Subsequent to period end, the Company received payment for the accrued license fees earned under the terms of the Joint Venture Agreement (Note 11). Further, pursuant to the conditions of the Joint Venture Agreement, the Company fulfilled the final condition pertaining to the transmission of psilocybin related intellectual property to Cortexa. As a result of meeting all stated conditions of the Joint Venture Agreement, the Board of Directors of Cortexa ratified to finalize the Joint Venture Agreement and render the Joint Venture irrevocable.