PHARMALA BIOTECH HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Pharmala Biotech Holdings Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Pharmala Biotech Holdings Inc. (the Company or Pharmala), which comprise the consolidated statements of financial position as at August 31, 2024 and 2023 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates the Company incurred a comprehensive loss of $823,596 during the year ended August 31, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report.

Joint Venture Investment - Downstream Sales

Description of the matter

As described in Note 15 to the consolidated financial statements, Pharmala owns a 50% interest in Cortexa Pty Ltd. (Cortexa), which has been accounted for as a joint venture investment, in accordance with IFRS 11, *Joint Arrangements*. During the year ended August 31, 2024, Pharmala made downstream product sales to Cortexa, a portion of which remained as inventory in Cortexa's accounts as of August 31, 2024.

In accordance IAS 28, *Investments in Associates and Joint Ventures*, initially gains from downstream transaction are recognized only to the extent of the unrelated interest in the joint venture; the gain on the related interest is deferred and recognized on subsequent sale (by Cortexa) to a third party.

Why the matter is a key audit matter
The matter involves a high degree of complexity and represented an area of significant risk of material misstatement. Estimation was required to determine appropriate net profit to be deferred, factoring Cortexa's historical gross margin results. Further, determining proper application of applicable accounting standards (e.g., IFRS 10, IAS 28) involved significant auditor judgement, knowledge and effort in executing and evaluating the results of our audit procedures.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- Obtained management memo on downstream transactions to evaluate accounting application was consistent with IFRS 11 and IAS 28 guidance;
- We examined supporting documents such as invoices, bank records and shipping documents; to validate the occurrence, accuracy and substance of the downstream sales; we agreed the transactions to Cortexa general ledger to ensure alignment;
- We reviewed the completeness and accuracy of deferred gain calculations; including a reasonableness check on the gross margin applied, factoring historical results;
- We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Intangible Assets Impairment Testing

Description of the matter
The Company's intangible assets, as described in Note 6 of the consolidated financial statements, consist of deferred development costs for internally-generated intellectual property. Specifically: patented MDXX molecules, manufacturing process development of clinical-grade MDMA and drug delivery methods. All categories of intangible assets were assessed as having a definite useful life.

Under IAS 38, *Intangible Assets,* management is required to amortise intangible assets over their estimated useful lives and test for impairment when facts and circumstances suggest they made be impaired, pursuant to IAS 36, *Impairment of Assets*.

For each component of intangible assets, management evaluated qualitative indicators of impairment, and concluded none were applicable. As a result, a quantitative impairment assessment was not required.

Why the matter is a key audit matter
This matter represented an area of significant risk of material misstatement given the magnitude of the carrying value of the intangible assets. This matter involves a high level of judgment in evaluating both internal and external qualitative factors and the potential impact on the consolidated financial statements.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- We evaluated the reasonableness of judgments made in management's impairment assessment, including analysis of internal and external qualitative factors in accordance with IAS 36;
- We evaluated reasonableness of the intangible assets having a definite useful life; notably considering legal life of underlying patents and examining useful life of similar intellectual property held by comparable companies;

- Verified the status of the Company's relevant patents and confirmed their good standing with governmental registries and external legal counsel;
- We considered sales data related to the intangible assets, noting the assets are generating revenue through product sales and intellectual property licensing;
- We compared the Company's market capitalization and net assets, noting market capitalization exceeded net assets by a substantial margin; and
- We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements, ensuring compliance with IAS 36.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
December 20, 2024

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

As at,		**August 31, 2024**	August 31, 2023
ASSETS			
Current			
Cash		**$ 419,379**	$ 195,042
Accounts receivables	(Note 5)	**180,376**	194,958
Subscription receivables		**4,000**	4,000
HST receivable		**27,004**	24,531
Prepaid expenses and deposits		**59,153**	173,227
Inventory		**353,534**	122,192
Total current assets		**1,043,446**	713,950
Equipment	(Note 4)	**401**	2,102
Intangible assets	(Note 6)	**1,854,397**	1,696,486
Total assets		**$ 2,898,244**	$ 2,412,538
LIABILITIES			
Current			
Accounts payables and accrued liabilities	(Note 18)	**$ 550,880**	$ 585,698
Customer deposits	(Note 14)	**208,574**	189,787
Deferred joint venture downstream sales	(Note 15)	**157,430**	-
Cortexa deposits	(Note 15)	**-**	253,537
Total liabilities		**916,884**	1,029,022
SHAREHOLDER'S EQUITY			
Share capital	(Note 7)	**5,694,754**	5,139,502
Contributed surplus	(Note 8 & 9)	**861,972**	376,363
Warrants	(Note 10)	**380,579**	-
Deficit		**(4,955,945)**	(4,132,349)
Total shareholder's equity		**1,981,360**	1,383,516
Total liabilities and shareholder's equity		**$ 2,898,244**	$ 2,412,538
Nature of operations and going concern	(Note 1)		
Commitment and Contingencies	(Note 17)		
Subsequent events	(Note 20)		

"Nicholas Kadysh"
Director

"Kevin Roy"
Director

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

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

			Year Ended August 31, 2024		Year Ended August 31, 2023
Revenue	(Note 16)	**$**	**1,035,297**	$	532,003
Cost of goods sold			**147,856**		77,904
Gross profit			**887,441**		454,099
Expenses					
Bad debt expense			**22,600**		16,863
Consulting	(Note 18)		**264,380**		563,090
Depreciation and amortization	(Note 4 & 6)		**70,209**		52,765
Investor relations	(Note 18)		**89,165**		110,866
Office and general	(Note 18)		**136,376**		205,940
Research costs, net of government assistance	(Note 3)		**125,287**		(166,522)
Payroll expenses	(Note 18)		**94,196**		71,405
Professional fees, net of government assistance	(Notes 3 & 18)		**163,583**		243,937
Stock based compensation	(Note 8, 9 & 18)		**541,324**		67,725
Travel			**46,487**		67,843
Total expenses			**1,553,607**		1,233,912
Deferred joint venture profit on sales	(Note 15)		**157,430**		-
Net loss and comprehensive loss for the year		**$**	**(823,596)**	$	(779,813)
Net loss and comprehensive loss per share - basic and diluted	(Note 11)	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding - basic and diluted	(Note 11)		**88,573,739**		84,527,402

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

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

		Year Ended August 31, 2024	Year Ended August 31, 2023
Operating activities			
Loss for the year		**$ (823,596)**	$ (779,813)
Items not affecting cash:			
Depreciation and amortization	(Note 4 and 6)	**70,209**	52,765
Stock based compensation	(Note 8 & 9)	**541,324**	67,725
Shares issued for services	(Note 7)	**108,000**	-
Bad debt expense	(Note 5)	**22,600**	16,863
Deferred joint venture profit on sales	(Note 15)	**157,430**	-
Accrued license revenue	(Note 16)	**-**	(74,058)
Changes in non-cash working capital items:			
Accounts receivables		**(8,018)**	(114,547)
HST receivable		**(2,473)**	(1,197)
Prepaid expenses and deposit		**114,074**	(106,784)
Inventory		**(231,342)**	(5,849)
Accounts payables and accrued liabilities		**(34,818)**	214,037
Customer and Cortexa deposits		**(234,750)**	391,202
Net cash used in operating activities		**(321,360)**	(339,656)
Investing activities			
Intangible asset development costs	(Note 6)	**(226,419)**	(506,735)
Net cash used in investing activities		**(226,419)**	(506,735)
Financing activities			
Proceeds from private placement (net of issuance costs)	(Note 7)	**697,116**	-
Proceeds from exercise of warrants	(Note 7)	**-**	92,295
Proceeds from exercise of stock options	(Note 7)	**75,000**	97,000
Net cash provided by financing activities		**772,116**	189,295
Increase/(decrease) in cash		**224,337**	(657,096)
Cash, beginning of year		**195,042**	852,138
Cash, end of year		**$ 419,379**	$ 195,042

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

PharmAla Biotech Holdings Inc.
Consolidated Statements of Changes in Equity
For the years ended August 31, 2024 and 2023
(Expressed in Canadian Dollars)

		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 9)	1,770,000	167,512	-	(70,512)	-	97,000
Expiry of warrants	(Note 10)	-	-	(142,113)	-	142,113	-
Exercise of warrants	(Note 7)	1,313,952	140,454	(48,159)	-	-	92,295
Stock based compensation	(Note 9)	-	-	-	67,725	-	67,725
Net loss for the year		-	-	-	-	(779,813)	(779,813)
Balance, August 31, 2023		**86,082,552**	**$5,139,502**	**$ -**	**$ 376,363**	**$(4,132,349)**	**$1,383,516**
Share issuance (net of costs)	(Note 7)	4,166,665	316,537	380,579	-	-	697,116
Shares issued for services	(Note 7)	600,000	108,000	-	-	-	108,000
Exercise of stock options	(Note 7)	875,000	130,715	-	(55,715)	-	75,000
Stock based compensation	(Note 8 & 9)	-	-	-	541,324	-	541,324
Net loss for the year		-	-	-	-	(823,596)	(823,596)
Balance, August 31, 2024		**91,724,217**	**$5,694,754**	**$380,579**	**$ 861,972**	**$(4,955,945)**	**$1,981,360**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

PharmAla is a Canadian Biotechnology company dedicated to the 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 15).

These 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 year ended August 31, 2024 and 2023 the Company reported a net loss and negative cash flows from operations, and an accumulated deficit as at August 31, 2024 and 2023. 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 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 consolidated financial statements. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 20, 2024.

2. BASIS OF PREPARATION (Continued)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional currency and presentation currency

These consolidated financial statements are presented in Canadian ("CDN") dollars, except as otherwise noted, which is the functional currency of the Company.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary.

The subsidiary is consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiary acquired or disposed of during the period presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. MATERIAL 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 period presented in these financial statements, unless otherwise stated.

Revenue recognition

The Company generates revenue primarily from the sale of tablets, raw MDMA and MDXX compounds/formulations, and royalties from licensing of its IP. 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 for revenue from product sales of MDMA and MDXX. License revenue is recognised on a time apportioned basis or immediately depending on the contractual terms of the agreement. Consulting revenue is recognized over time as the related services are provided.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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.

Customer deposit (contract liability)

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the control of related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Inventories

Inventory consists of entirely of finished goods, comprising finished MDMA and MDXX compounds, raw MDMA, which is considered a finished good, and encapsulated drug products. 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.

Cost of inventory recognized as an expense in cost of sales for the year ended August 31, 2024 was $93,745 (2023 – $33,733).

Cost to obtain a contract

The Company pays sales commission to its employees for each contract that they obtain from the sale of MDMA. The Company applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of employee benefits.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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.

Subsequent measurement – financial assets 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. The Company uses the simplified approach, which permits the use of a lifetime expected loss provision to determine the expected credit losses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

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, 2024:

Cash and cash equivalents	FVTPL
Accounts receivables	Amortized cost
Subscription 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).

3. MATERIAL ACCOUNTING POLICIES (Continued)

Investment in joint venture

The Company holds an interest in a joint venture, Cortexa Limited Pty. 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 accounting 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 accounting 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.

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.

Restricted share units ("RSU"s)

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.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets consist of costs incurred to acquire patents, unpatented technology, in progress 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.

The useful lives of intangible assets are assessed as either finite or indefinite. 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	20 years	Straight-line
Process development	15 years	Straight-line
Drug delivery	10 years	Straight-line

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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

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") as well as those received from other government programs (i.e. Intellectual Property Ontario ("IPON"). 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 grants and that the grant will be received the grant will be recorded on an accrual basis and as a recovery of the related expenses. During the year ended August 31, 2024, the Company received $130,000 in grants from IPON, which are reflected as a reduction in Professional Fees (2023 - $nil). During the year ended August 31, 2024, the Company received $nil in SR&ED refunds as it was no longer eligible for the refundable credits (2023 - $152,433), included in Research Costs.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Harmonised sales tax (HST)

Expenses and assets are recognised net of the amount of HST, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the HST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of HST included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Loss per share

Basic loss per share is calculated by dividing net loss 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 per share is determined by adjusting the 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.

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.

Operating segments

The Company operates in one segment, which is the development, manufacture, license and sale of MDMA and MDXX class molecules.

Summary of accounting estimates, judgments, 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:

3. MATERIAL ACCOUNTING POLICIES (Continued)

Summary of accounting estimates, judgments, and assumptions (continued)

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 collects 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 and shares issued for non-cash consideration

The Company is required to measure these transactions at fair value, which requires judgment in selecting the valuation models and techniques and the inputs into those models.

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.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Summary of accounting estimates, judgments, and assumptions (continued)

Impairment of intangible assets

The recoverability 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.

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. During the year ended August 31, 2024, no provision for obsolescence was taken (2023 - $nil).

Accounting for joint venture

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 and both joint venture parties have equal control. As a result, Cortexa is a joint venture.

Functional currency

The determination of the functional currency of the Company and its subsidiary requires judgments about the primary economic environment in which the Company operates. Any change in those judgments that leads to a change in the functional currency is recognized prospectively from the date of change.

Accounting standards issued and adopted

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 was effective for annual periods beginning on January 1, 2023. The Company adopted this amendment on September 1, 2023, and there was no material impact to the consolidated financial statements.

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (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.

4. 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	**-**	(1,701)	(1,701)
Balance, August 31, 2024	**$ 5,656**	**$ (5,255)**	**$ 401**

5. ACCOUNTS RECEIVABLES

Accounts receivables consist of:

	2024	2023
Trade receivables	**$ 200,890**	$ 138,804
Other receivables	**18,949**	73,017
Expected credit loss	**(39,463)**	(16,863)
Total	**$ 180,376**	$ 194,958

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

	Current	Past due 1-30	Past due 31-60	Past due 61-90	Past due >90	Total
August 31, 2024	**$ 90,811**	**$ 77,688**	**$ 6,780**	**$ -**	**$ 25,611**	**$ 200,890**
August 31, 2023	$ 121,941	$ -	$ -	$ -	$ 16,863	$ 138,804

Expected credit loss:	
Balance, August 31, 2022	**$ -**
Additions	16,863
Balance, August 31, 2023	**16,863**
Additions	22,600
Balance, August 31, 2024	**$ 39,463**

(Expressed in Canadian Dollars)

6. 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**	**$1,758,135**
Additions	226,419	-	-	-	226,419
Reclassifications	234,599	-	-	(234,599)	-
Balance, August 31, 2024	**$ 1,035,389**	**$ 921,665**	**$ 27,500**	**$ -**	**$1,984,554**

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	4,314	61,444	2,750	-	68,508
Balance, August 31, 2024	**$ 4,314**	**$ 123,093**	**$ 2,750**	**$ -**	**$ 130,157**

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, August 31, 2024	**$1,031,075**	**$ 798,572**	**$ 24,750**	**$ -**	**$ 1,854,397**

During the year ended August 31, 2024, the Company successfully obtained patents over two MDXX molecules, ALA 002 and APA 01, which utilized the preclinical testing data previously capitalized. As a result of being granted the patents, the Company reclassified the Preclinical Testing to MDXX and commenced amortization over the 20 year patent life. Further, the drug delivery asset, related to nasal spray applications, was determined to be ready for use and as a result amortization was commenced during the year.

As all intangible assets were being amortized during the year, the Company performed an assessment of impairment indicators and having determined that none were present and did not proceed with a quantitative impairment test.

(Expressed in Canadian Dollars)

7. 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 August 31, 2023	**86,082,552**	**$ 5,139,502**
Share issuance	4,166,665	750,000
Fair value of warrants	-	(380,579)
Issue costs	-	(52,884)
Exercise of stock options	875,000	130,715
Shares issued for services	600,000	108,000
Balance, August 31, 2024	**91,724,217**	**$ 5,694,754**

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 $750,000, and incurred share issuance costs of $52,884. 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 $380,579 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: share price - $0.215; risk free interest rate – 4.11%; expected volatility – 169.24%; expected dividend yield - nil; expected life - 3 years.

On April 19, 2024, the Company issued 600,000 common shares in exchange for consulting services in the amount of $108,000, valued at $0.18 per share.

Warrant exercises

During the year ended August 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 year ended August 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 year ended August 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.

8. 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 years ended August 31, 2024 and 2023:

(Expressed in Canadian Dollars)

8. RESTRICTED SHARE UNITS (Continued)

	Number of RSUs
Balance, August 31, 2022 and 2023	**-**
Issued	6,375,000
Balance, August 31, 2024	**6,375,000**

Grant Date	Number of RSUs Outstanding	Number of RSUs Vested	Grant Date Fair Value Per RSU
November 3, 2023	2,300,000	-	0.12
March 8, 2024	2,075,000	378,125	0.20
July 30, 2024	2,000,000	-	0.11
Balance, August 31, 2024	**6,375,000**	**378,125**	

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 2,075,000 RSUs to certain directors, officers, employees and consultants, 950,000 RSUs granted vest quarterly over a one-year period with the remaining 1,125,000 RSUs vesting quarterly over a two year period.

On July 30, 2024, the Company issued 2,000,000 RSUs to the CEO, vesting quarterly over a one year period.

For the period ended May 31, 2024 the Company recorded share-based compensation of $428,096 related to the vesting of the restricted share units.

9. 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 years ended August 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, August 31, 2023	**6,040,000**	**$**	**0.08**
Issued	2,300,000	$	0.175
Exercised	(875,000)	$	0.09
Balance, August 31, 2024	**7,465,000**	**$**	**0.12**

During the year ended August 31, 2024, the Company recorded $111,363 (August 31, 2023 - $67,725) of share based compensation related to options granted.

(Expressed in Canadian Dollars)

9. STOCK OPTIONS (Continued)

(i) On August 12, 2021, the Company granted stock options to an employee to purchase 250,000 common shares of the Company at an exercise price of $0.10 for a period of 5 years following the date of grant, vesting 5,000 options per month until fully vested. The options were valued at $18,560 using a Black-Scholes valuation model with the following assumptions: share price of $0.10 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.89%, and expected life of 5 years. During the year ended August 31, 2024, the Company recorded stock based compensation expense of $2,998 (August 31, 2023 - $4,494) related to this grant of stock options.

(ii) On January 5, 2022, the Company granted stock options to an employee to purchase 750,000 common shares of the Company at an exercise price of $0.10 for a period of 5 years (expiring January 5, 2027) following the date of grant, which 41,667, vest immediately, and the remainder vest equally over 36 months ended November 30, 2024. The options were valued at $55,324 using a Black-Scholes valuation model with the following assumptions: share price of $0.10 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 0.89%, and expected life of 5 years. During the year ended August 31, 2024, the Company recorded stock based compensation expense of $6,622 (August 31, 2023 - $18,177) related to this grant of stock options.

(iii) 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. Included in the 1,750,000 options are 1,500,000 options vest over 12 months, the remaining options vest 25% every three months. The options were valued at $130,525 using a Black-Scholes valuation model with the following assumptions: share price of $0.10 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 1.42%, and expected life of 5 years. The awards fully vested in fiscal 2023, in the year ended August 31, 2023 the Company recognized $39,678 of stock based compensation related to this grant of stock options.

(iv) On July 13, 2022, the Company granted stock options to a director to purchase 300,000 common shares of the Company at an exercise price of $0.10 for a period of 5 years following the date of grant, which vest over 12 months. The options were valued at $5,235 using a Black-Scholes valuation model with the following assumptions: share price of $0.10 per common shares, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 3.13%, and expected life of 5 years. The awards fully vested in fiscal 2023, in the year ended August 31, 2023 the Company recognized $3,780 of stock based compensation related to this grant of stock options.

(v) On November 6, 2023, the Company granted stock options to 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, which vest upon the occurrence of a liquidity event. The options were valued at $250,100 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 177.69%, risk-free rate of 4.45%, and expected life of 2 years. During the year ended August 31, 2024, the Company recorded stock based compensation expense of $101,743 related to this grant of stock options.

The following table reflects the stock options issued and outstanding as of August 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	1.56	1,010,000	1,010,000
June 18, 2026	0.10	1.80	1,025,000	1,025,000
August 12, 2026	0.10	1.95	330,000	330,000
January 5, 2027	0.10	2.35	750,000	687,500
January 5, 2027	0.10	2.35	1,750,000	1,750,000
July 13, 2027	0.10	2.87	300,000	300,000
November 6, 2033	0.18	9.19	2,300,000	-
Total	**0.12**	**4.26**	**7,465,000**	**5,102,500**

(Expressed in Canadian Dollars)

10. WARRANTS

The Company had the following activity regarding warrants during the years ended August 31, 2024 and 2023.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, August 31, 2022	**6,766,952**	**$ 0.05**	**0.5 years**
Expired	(5,453,000)	$ 0.05	-
Exercised	(1,313,952)	$ 0.05	-
Balance, August 31, 2023	**-**	**-**	**-**
Issued (note 7)	2,083,331	$ 0.27	2.63
Balance, August 31, 2024	**2,083,331**	**$ 0.27**	**2.63 years**

As at August 31, 2023, the Company had no warrants outstanding. During fiscal 2024, in the private placement on April 19, 2024, the Company issued 2,083,331 warrants, as further discussed in Note 7.

11. LOSS PER SHARE

For the year ended August 31, 2024, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. The potential dilutive effect of the shares issuable under the terms of options, warrants and RSUs has not been included as their impact would be anti-dilutive.

12. FINANCIAL INSTRUMENTS AND OBJECTIVES AND POLICIES

Risk Management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair Values

The Company has designated its cash as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level Two - includes inputs that are observable other than quoted prices included in Level

One. - Level Three - includes inputs that are not based on observable market data.
As at August 31, 2024, the carrying and fair value amounts of the Company's cash are approximately equivalent due to its short term nature.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. As at August 31, 2024, management believes that the credit risk with respect to cash and cash equivalents, subscription receivables and accounts receivable is minimal. The accounts receivable are primarily from large research institutions at reputable educational institutions, whereby the credit risk from these entities is minimal and the Company further mitigates that risk by receiving up front deposits.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND OBJECTIVES AND POLICIES (Continued)

Liquidity Risk – continued

2024	Carrying Amount	Contractual	Less than 1 Year
Accounts payable	(358,185)	(358,185)	(358,185)
Accrued liabilities	(192,695)	(192,695)	(192,695)
Total	**($550,880)**	**($550,880)**	**($550,880)**

2023	Carrying Amount	Contractual	Less than 1 Year
Accounts payable	(313,982)	(313,982)	(313,982)
Accrued liabilities	(271,716)	(271,716)	(271,716)
Total	**($585,698)**	**($585,698)**	**($585,698)**

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 exposed to currency risk as a result of certain of its bank balances, accounts receivable and accounts payable being denominated in foreign currency. The Company does not employ any hedging instruments to manage this risk. The sensitivity on foreign exchange gain or loss for a fluctuation of 10% in the applicable foreign exchange rates as at August 31, 2024 is as follows:

Foreign Currency Exposure	2024
Cash - USD	229,103
Accounts receivable - USD	82,384
Accounts receivable - AUS	56,467
Accounts payable - USD	(6,672)
Accounts payable - CHF	(6,139)
Accrued liabilities - USD	(128,627)
Sensitivity - 10%	22,652

13. CAPITAL MANAGEMENT

The Company objectives when manages its capital is 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 its total shareholders' equity.

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

14. CUSTOMER DEPOSITS

Customer deposits relates to advance consideration received from customers for services yet to be performed, generally, these consist of refundable deposits that become non-refundable upon the initiation of manufacturing. Customer deposits will be recognised as revenue as the Company satisfies its performance obligation, ordinarily delivery to and acceptance by the customer. Below is a summary of deferred revenue from contracts with customers and the significant changes in those balances during the years ended August 31, 2024 and 2023.

		2024		2023
Balance, August 31, 2023	**$**	**189,787**	**$**	**52,122**
Additions during the period		239,705		595,072
Deferred revenue recognized as revenue during the period		(220,918)		(457,407)
Balance, August 31, 2024	**$**	**208,574**	**$**	**189,787**

15. 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. As at August 31, 2024, the Company accrued license revenue of $18,949 (AUS 20,833; 2023 - $74,058 (AUS 83,333)).

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.

	As of August 31, 2024 (AUS)	As of August 31, 2023 (AUS)
Cash	23,555	391,471
Total current assets	479,527	640,985
Total non-current assets	-	-
Total assets	479,527	640,985
Total current liabilities	85,258	739,709
Total non-current liabilities	1,012,665	70,248
Net assets	(618,396)	(168,972)

	Year Ended August 31, 2024 (AUS)	May 1, 2022 to August 31, 2023 (AUS)
Revenue	166,122	-
Loss from continuing operations and total comprehensive loss	449,424	169,973

(Expressed in Canadian Dollars)

15. JOINT VENTURE - continued

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. The Company's share of current loss is 50%, or $224,712 (2023 - $84,987).

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 downstream sales must be recognised only to the extent of unrelated investors' interests. During the year ended August 31, 2024, the Company made sales of $476,723 to Cortexa, and deferred the gain on sales of $157,430 as at August 31, 2024.

16. REVENUE

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

		2024		2023
Product sales		722,710		417,645
License revenue		224,337		114,358
Consulting revenue		88,250		-
	$	**1,035,297**	**$**	**532,003**

Product Sales - by Geography		**2024**		**2023**
Canada		69,956		12,314
United States		32,378		-
Australia		620,376		305,980
Europe		-		99,351
	$	**722,710**	**$**	**417,645**

License revenue is earned from Cortexa, which is located in Australia and consulting revenue was earned from a Canadian company. Commissions paid during the year ended August 31, 2024, were $9,425 (2023 - $nil).

17. 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 material claims and litigation that it is party to at this time.

18. 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 former Chief Financial Officer ("CFO") of the Company is the managing director of Marrelli Support Services Inc. ("MSSI"). During the year ended August 31, 2024, the Company paid for professional fees of $78,801 (August 31, 2023 - $75,142) 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, 2024, the Marrelli Group was owed $3,571 (August 31, 2023 - $13,000) and this amount is included in accounts payables and accrued liabilities. These services were incurred in the normal course of business, and these costs are included in professional fees.During year ended August 31, 2024, the Company incurred consulting and payroll fees of $146,167 (August 31, 2023 - $149,760) to the Chief Executive Officer ("CEO") and companies controlled by the CEO. As at August 31, 2024, the CEO and companies controlled by the CEO were owed $nil (August 31, 2023 - $80,170) inclusive of HST, and this amount was included in accounts payables and accrued liabilities. During the year the CEO also received RSU's resulting in stock-based compensation of $39,941.

During year ended August 31, 2024, the Company incurred consulting fees of $105,836 (August 31, 2023 - $101,600) 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, 2024, companies controlled by the COO were owed $27,654 (August 31, 2023 - $8,000) inclusive of HST, and this amount was included in accounts payables and accrued liabilities. During the year, the COO also received RSU's resulting in stock-based compensation of $82,654 and further stock-based compensation of $2,998 related to the vesting of options.

During the year ended August 31, 2024, the Company paid $5,000 to a financial consultant who was appointed as CFO subsequent to year end.

During year ended August 31, 2024, the Company incurred consulting fees of $0nil (August 31, 2023 - $750) 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, 2024, the Company incurred advertising fees of $nil (August 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 8.

See note 9.

During the year ended August 31, 2024, the Company incurred stock based compensation expense to directors and officers of $275,743 (August 31, 2023 - $44,926).

(Expressed in Canadian Dollars)

19. INCOME TAXES

Rate reconciliation

A reconciliation of actual income tax expense and the accounting loss multiplied by the Company's statutory tax rate of 26.5% (2022 - 26.5%) is as follows:

		August 31, 2024		August 31, 2023
Loss before income taxes	**$**	**(823,596)**	$	(779,813)
Expected income tax recovery based on statutory rate		(218,253)		(210,550)
Adjustment to expected income tax benefit:				
Share issuance costs		(33,652)		(8,733)
Share based payments		143,451		18,337
Other non-deductible items		(63,708)		(90,410)
Change in unrecorded deferred tax assets		172,162		291,356
Total	**$**	**-**	$	-

Deferred tax assets and liabilities

Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

		August 31, 2024		**August 31, 2023**
Non-Capital losses carry forward		758,097		659,677
Share issuance costs		79,937		25,152
Capital assets		36,561		17,605
Deferred tax asset (liability)		874,595		702,434
Less: deferred tax asset not recognized		(874,595)		(702,434)
Deferred tax asset (liability)	**$**	**-**	$	-

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Non-capital losses

As at August 31, 2024, the Company has non-capital losses available to reduce taxable income in future years expiring as follows:

2041	$	42,039
2042		1,724,709
2043		676,501
2044		364,516
	$	**2,807,765**

20. SUBSEQUENT EVENTS

Subsequent to year end, the Company issued 459,770 common shares in settlement of accounts payable of $100,000, which related to legal services.

Subsequent to year end, the Company issued 500,000 common shares related to vesting of RSUs to the CEO of the Company, 993,750 common shares related to vesting of RSUs to the Directors and COO and 140,625 common shares related to vesting of RSUs for employees of the Company.

Further 850,000 common shares were issued related to the exercise of options with an exercise price of $0.05 per share for consideration of $42,500 by Directors of the Company.

21. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the current year's presentation on the consolidated statements of loss and comprehensive loss. Net loss and comprehensive loss previously reported has not been affected by these reclassifications.