PHARMALA BIOTECH HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED FEBRUARY 28, 2026 AND 2025

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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

As at,			**February 28 2026**		**August 31, 2025**
ASSETS					
Current					
Cash		$	**113,244**	$	**40,187**
Short-term investments	(Note 3)		**451,465**		**920,473**
Accounts receivables	(Note 4)		**202,513**		**37,791**
HST receivable			**13,310**		**20,748**
Prepaid expenses, deposits and other assets	(Note 5)		**217,653**		**257,956**
Inventory	(Note 6)		**386,968**		**369,709**
Total current assets			**1,385,153**		**1,646,864**
Equipment			**2,388**		**2,918**
Intangible assets	(Note 7)		**1,742,157**		**1,770,100**
Total assets		**$**	**3,129,698**	**$**	**3,419,882**
LIABILITIES					
Current					
Accounts payables and accrued liabilities	(Note 16)	$	**451,498**	$	**558,910**
Customer deposits and deferred revenue	(Note 13)		**405,262**		**276,035**
Deferred joint venture downstream sales	(Note 14)		**116,661**		**126,787**
Total liabilities			**973,421**		**961,732**
SHAREHOLDERS' EQUITY					
Share capital	(Note 8)		**7,817,771**		**7,452,478**
Contributed surplus	(Note 9 & 10)		**989,180**		**908,955**
Warrants	(Note 11)		**1,227,906**		**1,227,906**
Deficit			**(7,878,580)**		**(7,131,189)**
Total shareholders' equity			**2,156,277**		**2,458,150**
Total liabilities and shareholders' equity		**$**	**3,129,698**	**$**	**3,419,882**
Nature of operations and going concern	(Note 1)				
Commitment and Contingencies	(Note 16)				
Subsequent event	(Note 18)				

"Nicholas Kadysh"	"Kevin Roy"
Director	**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 February 28		Six Months Ended February 28	
		2026	2025	**2026**	2025
Revenue	(Note 13 & 15)	**$ 280,584**	$ 145,657	**$ 487,024**	$ 202,954
Cost of goods sold	(Note 6)	**22,409**	9,504	**57,246**	9,504
Gross profit		**258,175**	136,153	**429,778**	193,450
Expenses					
Consulting	(Note 17)	**47,473**	48,471	**78,222**	119,053
Depreciation and amortization	(Note 7)	**29,736**	29,120	**59,493**	58,687
Investor relations		**46,182**	15,848	**63,023**	35,856
Office and general		**46,376**	69,850	**98,662**	75,612
Research costs		**40,528**	89,432	**81,626**	122,682
Payroll expenses	(Note 17)	**125,738**	102,316	**227,747**	145,478
Professional fees	(Note 17)	**121,694**	119,295	**241,108**	169,909
Stock based compensation	(Note 9, 10 & 17)	**122,259**	440,440	**228,851**	666,735
Loss on debt settlement	(Note 8)	**-**	-	**66,047**	35,632
Travel		**26,011**	15,117	**42,516**	36,651
Total expenses		**605,997**	929,889	**1,187,295**	1,466,295
Deferred joint venture profit on sales	(Note 14)	**(10,126)**	-	**(10,126)**	-
Joint venture share of losses	(Note 14)	**-**	17,030	**-**	17,030
Net loss and comprehensive loss for the period		**$ (337,696)**	$ (810,766)	**$ (747,391)**	$ (1,289,875)
Net loss and comprehensive loss per share - basic and diluted	(Note 12)	**$ -**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	(Note 12)	**108,885,108**	101,758,219	**108,445,634**	96,921,169

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

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

Six Months Ended February 28,		**2026**	2025
Operating activities			
Loss for the period		**$ (747,391)**	$(1,289,875)
Items not affecting cash:			
Depreciation and amortization	(Note 7)	**59,493**	58,687
Stock based compensation	(Note 9 & 10)	**228,851**	666,735
Deferred joint venture profit on sales	(Note 14)	**(10,126)**	-
Joint venture share of losses	(Note 14)	**-**	17,030
Loss on debt settlement	(Note 8)	**66,047**	35,632
Accrued interest income	(Note 3)	**(1,465)**	-
Changes in non-cash working capital items:			
Accounts receivables		**(164,722)**	62,027
HST receivable		**7,438**	(15,209)
Prepaid expenses, deposits and other assets		**40,303**	(28,574)
Inventory		**(17,259)**	9,504
Accounts payables and accrued liabilities		**43,208**	(80,113)
Customer deposits and deferred revenue		**129,227**	72,435
Net cash used in operating activities		**(366,396)**	(491,721)
Investing activities			
Intangible assets	(Note 7)	**(31,020)**	(20,695)
Purchase of short-term investments	(Note 3)	**(550,000)**	(1,244,380)
Redemption of short-term investments	(Note 3)	**1,020,473**	-
Net cash provided by (used in) investing activities		**439,453**	(1,265,075)
Financing activities			
Proceeds from private placement (net of issuance costs)	(Note 8)	**-**	1,530,620
Proceeds from exercise of warrants	(Note 8)	**-**	29,700
Proceeds from exercise of stock options	(Note 8)	**-**	42,500
Net cash provided by financing activities		**-**	1,602,820
Increase (decrease) in cash		**73,057**	(153,976)
Cash, beginning of period		**40,187**	419,379
Cash, end of period		**$ 113,244**	$ 265,403

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 Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

		Number of Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance, August 31, 2024		**91,724,217**	**$ 5,694,754**	**$ 380,579**	**$ 861,972**	**$ (4,955,945)**	**$1,981,360**
Shares issued for debt settlement, net of issue costs		459,770	132,584	-	-	-	132,584
Proceeds from private placement (net of issuance costs)	(Note 8)	8,676,221	663,198	867,422	-	-	1,530,620
Vesting of RSUs	(Note 8 & 9)	2,734,375	484,875	-	(484,875)	-	0
Exercise of stock options	(Note 8 & 10)	850,000	74,069	-	(31,569)	-	42,500
Exercise of warrants	(Note 8 & 11)	110,000	49,795	(20,095)	-	-	29,700
Stock based compensation	(Note 9 & 10)	-	-	-	666,735	-	666,735
Net loss for the period		-	-	-	-	(1,289,875)	(1,289,875)
Balance, February 28, 2025		**104,554,583**	**$ 7,099,275**	**$1,227,906**	**$1,012,263**	**$ (6,245,820)**	**$3,093,624**
Balance, August 31, 2025		**106,604,753**	**$ 7,452,478**	**$1,227,906**	**$ 908,955**	**$ (7,131,189)**	**$2,458,150**
Shares issued for debt settlement, net of issue costs	(Note 8)	1,666,667	216,667	-	-	-	216,667
Vesting of RSUs	(Note 8 & 9)	646,494	148,626	-	(148,626)	-	-
Stock based compensation	(Note 9 & 10)	-	-	-	228,851	-	228,851
Net loss for the period		-	-	-	-	(747,391)	(747,391)
Balance, February 28, 2026		**108,917,914**	**$ 7,817,771**	**$1,227,906**	**$ 989,180**	**$ (7,878,580)**	**$2,156,277**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

PharmAla Biotech Inc. ("PharmAla") was incorporated under the Business Corporations Act (British Columbia) on December 23, 2020. 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 December 17, 2024, Holdings Inc. filed articles of continuance (the "Continuance") to redomicile from British Columbia to Ontario. As a result of the Continuance, the registered head office of Holdings Inc. is 1 Adelaide Street East, Unit 801, Toronto, Ontario, M5C 2V9, 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.

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.

On August 11, 2025, the Company incorporated a wholly-owned subsidiary, PharmAla Biotech Australia Pty Ltd ("PharmAla Australia"). As of August 31, 2025, PharmAla Australia has no operations, assets or liabilities. The Company incorporated PharmAla Australia in order to facilitate a planned clinical trial for ALA-002.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. On January 11, 2022, the Company's shares were listed on the Canadian Securities Exchange ("CSE") under the symbol "MDMA".

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the three and six month periods ended February 28, 2026 the Company reported a net loss and negative cash flows from operations, and an accumulated deficit as at February 28, 2026 and August 31, 2025. 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.

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 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, 2025, 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, 2025, 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, 2026 could result in restatement of these unaudited condensed interim consolidated financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed interim consolidated financial statements were issued and effective as of April 20, 2026, the date the Board of Directors approved the statements.

Basis of measurement

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

Basis of consolidation

These unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 subsidiaries 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.

Short-term investments

Short-term investments consist of investments in term deposits and GICs with terms to maturity of greater than 90 days. These short-term investments are measured at amortized cost as they consist solely of payments of principal and interest and the intention is to hold these financial assets and collect the related cash flows.

As at February 28, 2026, the short-term investments consist of:

	Principal	Rate	Maturity	Issue date	Term (days)	Accrued interest
GIC (CAD)	**$ 450,000**	2.20%	05-Jan-27	05-Jan-26	365	$ 1,465

The GIC is denominated in CAD and is cashable at any time. As the Company intends to hold these balances to maturity both have been classified as short-term investments as opposed to cash equivalents. During the period the Company the redeemed $470,473 of the GIC (including accrued interest thereon) and $550,000 matured, which was reinvested.

Accounting standards issued but not yet applied

IFRS 18, Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its “operating profit or loss”. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Management is currently assessing the impact of this standard.

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Management is currently assessing the impact of this standard.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Company.

(Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLES

Accounts receivables consist of:		**February 28, 2026**		August 31, 2025
Accounts receivables	$	241,580	$	78,133
Other receivables		20,223		18,949
Expected credit loss		(59,290)		(59,290)
Total	**$**	**202,513**	**$**	**37,791**

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**
February 28, 2026	**$ 48,457**	**$ 60,336**	**$ -**	**$ 60,669**	**$ 72,118**	**$ 241,580**
August 31, 2025	$ -	$ 18,028	$ -	$ -	$ 60,105	$ 78,133

Expected credit loss:		
Balance, August 31, 2024	**$**	**39,463**
Additions		14,830
Foreign exchange		4,997
Balance, August 31, 2025	**$**	**59,290**
Additions		-
Foreign exchange		-
Balance, February 28, 2026	**$**	**59,290**

5. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

Prepaid expenses, deposits and other assets consist of:

		February 28, 2026		August 31, 2025
Prepaid expenses	$	3,270	$	24,525
Contract asset		201,528		201,528
Deposits and other assets		12,855		31,903
Total	**$**	**217,653**	**$**	**257,956**

The contract asset represents the right to receive a perpetual license of the clinical trial data from a customer as a result of a contract under which the Company provided the MDMA product for their clinical trial, which was valued at $201,528 based on the stand-alone selling price of the related MDMA product. As the Company has not yet received any access to data, as a result of the early stage of the related clinical trial, the amount is reflected as a contract asset, when the related clinical trial data is made available the Company will reassess the nature and classification of the asset at that point.

(Expressed in Canadian Dollars)

6. INVENTORY

Inventory consists of:

		February 28, 2026		August 31, 2025
Work in process	$	55,888	$	84,161
Finished goods		331,080		285,548
Total	**$**	**386,968**	**$**	**369,709**

Cost of inventory recognized as an expense in cost of sales for the three and six month periods ended February 28, 2026 were $12,830 and $24,873, respectively (2025 – $9,504 for the three and six months ended February 28, 2025). The remainder of cost of sales pertains to shipping costs.

7. INTANGIBLE ASSETS

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

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

Cost		**MDXX**		**Process Development**		**Drug Delivery**		**Total**
Balance, August 31, 2024	**$**	**1,035,389**	**$**	**921,665**	**$**	**27,500**	**$**	**1,984,554**
Additions		32,328		-		-		32,328
Balance, August 31, 2025	**$**	**1,067,717**	**$**	**921,665**	**$**	**27,500**	**$**	**2,016,882**
Additions		31,042		-		-		31,042
Balance, February 28, 2026	**$**	**1,098,759**	**$**	**921,665**	**$**	**27,500**	**$**	**2,047,924**

Amortization		**MDXX**		**Process Development**		**Drug Delivery**		**Total**
Balance, August 31, 2024	**$**	**4,314**	**$**	**123,093**	**$**	**2,750**	**$**	**130,157**
Amortization		52,429		61,444		2,752		116,625
Balance, August 31, 2025	**$**	**56,743**	**$**	**184,537**	**$**	**5,502**	**$**	**246,782**
Amortization		26,887		30,722		1,376		58,985
Balance, February 28, 2026	**$**	**83,630**	**$**	**215,259**	**$**	**6,878**	**$**	**305,767**

Net Book value		**MDXX**		**Process Development**		**Drug Delivery**		**Total**
Balance, August 31, 2025	**$**	**1,010,974**	**$**	**737,128**	**$**	**21,998**	**$**	**1,770,100**
Balance, February 28, 2026	**$**	**1,015,129**	**$**	**706,406**	**$**	**20,622**	**$**	**1,742,157**

(Expressed in Canadian Dollars)

8. 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, 2024	**91,724,217**	**$**	**5,694,754**
Share for debt settlement	459,770		135,632
Issue costs	-		(3,048)
Proceeds from private placement	8,676,221		1,561,720
Fair value of warrants	-		(867,422)
Issue costs	-		(31,100)
Vesting of RSUs	2,734,375		484,875
Exercise of stock options	850,000		74,069
Exercise of warrants	110,000		49,795
Balance, February 28, 2025	**104,554,583**	**$**	**7,099,275**
Balance, August 31, 2025	**106,604,753**	**$**	**7,452,478**
Shares issued for debt settlement, net of issue costs	1,666,667		216,667
Vesting of RSUs	646,494		148,626
Balance, February 28, 2026	**108,917,914**		**7,817,771**

On November 14, 2024, the Company issued 459,770 common shares in exchange for settlement of accounts payable in the amount of $100,000, the extinguishment of the liability at the market price of the common shares resulted in a loss on debt settlement of $35,632.

On December 20, 2024, the Company closed its non-brokered private placement issuing 8,676,221 units at a price of $0.18 per unit for aggregate gross proceeds of $1,561,720, and incurred share issuance costs of $31,100. 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 December 20, 2027. The warrants were valued at $867,422 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: share price - $0.24; risk free interest rate – 2.99%; expected volatility – 160.5%; expected dividend yield - nil; expected life - 3 years.

On October 1, 2025, the Company issued 1,666,667 common shares in exchange for settlement of accounts payable in the amount of $150,000, the extinguishment of the liability at the market price of the common shares resulted in a loss on debt settlement of $66,047.

Warrant exercises
During the period ended February 28, 2025, the Company received funds for the exercise of 110,000 warrants for gross proceeds of $29,700, with a black scholes value of $20,095.

Option exercises
During the period ended February 28, 2025, the Company received funds for the exercise of 850,000 options for gross proceeds of $42,500, with a black scholes value of $31,569.

(Expressed in Canadian Dollars)

RSU Vesting
During the period ended February 28, 2026, as a result of the vesting of RSUs (note 9) the Company issued 646,494 common shares and reclassified the grant date fair value of the vested awards from contributed surplus to share capital, amounting to $148,626 (2025 – 2,734,375 common shares and grant date fair value of $484,875).

9. RESTRICTED SHARE UNITS AND PERFORMANCE SHARE UNITS

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 noted:

	Number of RSUs
Balance, August 31, 2024	**6,375,000**
Issued	1,700,000
Vested and issued	(2,734,375)
Balance, February 28, 2025	**5,340,625**
Balance, August 31, 2025	**3,221,875**
Granted	225,000
Cancelled	(281,250)
Vested and issued	(615,074)
Balance, February 28, 2026	**2,550,551**

Grant Date	Number of RSUs Granted	Number of RSUs Vested & Issued	Number of RSUs Outstanding	Grant Date Fair Value Per RSU
November 3, 2023	2,300,000	-	2,300,000	0.12
March 8, 2024	2,075,000	2,011,949	63,051	0.20
July 30, 2024	2,000,000	2,000,000	-	0.11
December 13, 2024	1,500,000	1,500,000	-	0.25
January 27, 2025	200,000	162,840	-	0.23
October 1, 2025	225,000	37,500	187,500	0.23
Balance, February 28, 2026	**8,300,000**	**5,712,289**	**2,550,551**	

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. During the year ended August 31, 2025, the Company revised the estimated timeline for meeting the liquidity event vesting condition, formerly assumed to be a 2 year period the timeline was revised to 3 years, which resulted in a recovery of $37,904 of stock-based compensation recognized during the year ended August 31, 2024.

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. During the period ended February 28, 2026, 281,250 of these RSU's were cancelled resulting in the reversal of $56,250 of previously vested stock based compensation.

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

(Expressed in Canadian Dollars)

On December 13, 2024, the Company issued 1,000,000 RSUs to the CFO, vesting quarterly over a one year period. Further, on December 13, 2024, the Company issued 500,000 RSUs, vesting immediately, to a consultant as bonus compensation for their contributions during the period.

On January 27, 2025, the Company issued 200,000 RSUs to an employee, vesting 50% immediately, 25% in three months from the grant date and the remainder in six months from the grant date. The awards fully vested; however, only 162,840 common shares were issued as the awards were settled net of withholding taxes on the awards and the corresponding number of common shares were withheld by the Company with a value of $8,548.

On October 1, 2025, the Company issued 225,000 RSUs to a consultant serving as a director of a subsidiary, vesting quarterly over a three year period.

For the three and six month periods ended February 28, 2026 the Company recorded share-based compensation of $28,846 and $28,794, respectively, with the expense in the six months being offset by a recovery of share-based compensation due to the cancellation of RSUs (2025 – for the three and six months $409,072 and $603,414) related to the vesting of the restricted share units.

Performance Share Units

Under the Company's omnibus equity incentive plan (the "Equity Incentive Plan") the Company may grant Performance Share Units ("PSU") 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 PSUs vest immediately or have vesting conditions.

During year ended August 31, 2025, the Company granted 500,000 PSUs, 250,000 of which vest on achieving a target of $2.5M of combined sales or equity proceeds and 250,000 which vest upon achieving a target of $3M combined sales or equity proceeds for the year ended August 31, 2025. The grant date fair value per PSU was $0.25, as of February 28, 2026, none of these PSUs have vested and no share-based compensation has been recognized in respect of these awards.

Additionally, on February 6, 2025, the Company granted 1,000,000 PSUs to an advisor, which vest based on various performance metrics. 1/3 vests based on established market outreach metrics; 1/3 vests on the occurrence of financing of more than $500,000 USD sourced by the advisor and, the final 1/3 vests based on certain sales metrics. If all objectives are met, but the advisor falls short of the established metrics, they will be compensated 150,000 common shares or $45,000 of value in common shares at the then market price, whichever is lower. The grant date fair value per PSU was $0.25, for the three and six month periods ended February 28, 2026, the Company has recognized share-based compensation of $6,986 and $16,336 (2025 – for the three and six months $nil) in respect of these awards. With the completion of this agreement on February 6, 2026, the Company is committed to issue 150,000 common shares based on the terms of the agreement.

10. 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 February 28, 2026 and 2025:

	Number of Stock options	Weighted Average Exercise Price

Balance, August 31, 2024	**7,465,000**	**$0.12**
Exercised	(850,000)	$0.05
Balance, February 28, 2025	**6,615,000**	**$0.12**
Balance, August 31, 2025	**8,115,000**	**$0.12**
Issued	1,000,000	$0.105
Cancelled	(1,100,000)	$0.05
Balance, February 28, 2026	**8,015,000**	**$0.12**

For the three and six month periods ended February 28, 2026 the Company recorded share-based compensation of $86,426 and $183,492, respectively (2025 - $31,368 and $63,320, respectively) related to options granted.

(i) On May 29, 2025, the Company granted stock options to directors and officers to purchase 1,500,000 common shares of the Company at an exercise price of $0.105 for a period of 5 years following the date of grant, which vest quarterly over 12 months. The options were valued at $152,292 using a Black-Scholes valuation model with the following assumptions: share price of $0.105 per common shares, expected dividend yield of 0%, expected volatility of 154%, risk-free rate of 3.02%, and expected life of 5 years.

(ii) On October 3, 2025, the Company granted stock options to the COO to purchase 1,000,000 common shares of the Company at an exercise price of $0.12 for a period of 5 years following the date of grant, which vest quarterly over 12 months. The options were valued at $110,536 using a Black-Scholes valuation model with the following assumptions: share price of $0.12 per common shares, expected dividend yield of 0%, expected volatility of 154%, risk-free rate of 2.72%, and expected life of 5 years.

The following table reflects the stock options issued and outstanding as of February 28, 2026:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
March 23, 2026	0.05	0.06	160,000	160,000
June 18, 2026	0.1	0.30	525,000	525,000
August 12, 2026	0.1	0.45	80,000	80,000
January 5, 2027	0.1	0.85	750,000	750,000
January 5, 2027	0.1	0.85	1,500,000	1,500,000
July 13, 2027	0.1	1.37	300,000	300,000
November 6, 2033	0.18	7.69	2,300,000	-
May 29, 2030	0.105	4.25	1,400,000	1,025,000
October 3, 2030	0.12	4.60	1,000,000	250,000
Total	**0.12**	**3.84**	**8,015,000**	**4,590,000**

11. WARRANTS

The Company had the following activity regarding warrants during the periods ended February 28, 2026 and 2025:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2024	**2,083,331**	**$0.27**
Issued (note 8)	4,338,111	$0.27
Exercised (note 8)	(110,000)	$0.27

(Expressed in Canadian Dollars)

Balance, February 28, 2025 and 2026	**6,311,442**	**$0.27**

The following table reflects the warrants issue and outstanding as of February 28, 2026:

Expiry Date		Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
April 19, 2027	$	0.270	1.14	1,973,331
December 20, 2027	$	0.270	1.81	4,338,111
			1.60	6,311,442

On December 20, 2024, the Company issued 4,338,111 warrants, as further discussed in Note 8.

12. LOSS PER SHARE

For the three and six month periods ended February 28, 2026 and 2025, 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.

13. CUSTOMER DEPOSITS AND DEFERRED REVENUE

Customer deposits and deferred revenue 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 and deferred revenue 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 noted periods:

		February 28, 2026		August 31, 2025
Opening balance, beginning of period	**$**	**276,035**	**$**	**208,574**
Additions during the period		310,719		150,463
Deferred revenue recognized as revenue during the period		(181,492)		(83,002)
Closing balance, end of period	**$**	**405,262**	**$**	**276,035**

14. 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 February 28, 2026, the Company accrued license revenue receivable of $20,223 (AUS 20,833; August 31, 2025 - $18,433 (AUS 20,833)) and has $134,328 (AUS 138,382) in accounts receivable related to license fee revenue (August 31, 2025 - $nil).

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 February 28, 2026 (AUS)	**As of February 28, 2025 (AUS)**
Cash	93,026	11,372
Total current assets	593,363	623,489
Total non-current assets	-	-
Total assets	593,363	623,489
Total current liabilities	241,938	181,870
Total non-current liabilities	1,735,510	1,303,764
Net assets	(1,384,085)	(862,145)

	Six Month Period Ended February 28, 2026 (AUS)	**Six Month Period Ended February 28, 2025 (AUS)**
Revenue	79,015	17,215
Loss from continuing operations and total comprehensive loss	(257,818)	(243,747)

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 $128,909 (2025 - $121,874). During the year ended August 31, 2025, the Company contributed $17,030 ($19,000 AUS) to Cortexa, which resulted in a pick up of losses in the corresponding amount. Cumulative losses of Cortexa attributed to the Company amount to $672,938.

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. There were no additional product sales to Cortexa during the three and six months ended February 28, 2026 and 2025.

(Expressed in Canadian Dollars)

15. REVENUE

The following is a disaggregation of the Company's revenues:

	Three months ended		**Six months ended**	
	February 28, 2026	**February 28, 2025**	**February 28, 2026**	**February 28, 2025**
Product sales	221,995	88,880	371,309	88,880
License revenue	58,589	56,777	115,715	114,074
	$ 280,584	**$ 145,657**	**$ 487,024**	**$ 202,954**

Product Sales - by Geography	**February 28, 2026**	**February 28, 2025**	**February 28, 2026**	**February 28, 2025**
Canada	1,000	18,672	4,600	18,672
United States	6,622	70,208	152,336	70,208
Australia	132,206	-	132,206	-
Europe	82,167	-	82,167	-
	$ 221,995	**$ 88,880**	**$ 371,309**	**$ 88,880**

Product Sales - by Type	**February 28, 2026**	**February 28, 2025**	**February 28, 2026**	**February 28, 2025**
SAP Sales	1,000	14,300	4,600	14,300
Clinical Trial and Other Sales	220,995	74,580	366,709	74,580
	$ 221,995	**$ 88,880**	**$ 371,309**	**$ 88,880**

16. 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.

17. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the three and six month periods ended February 28, 2026, the Company incurred consulting and payroll fees of $44,798 and 87,298, respectively (2025 - $42,500 and $85,000, respectively) to the Chief Executive Officer ("CEO") and stock-based compensation of $12,517 and $25,173, respectively (2024 - $49,861 and $144,910, respectively).

During the three and six month periods ended February 28, 2026, the Company incurred consulting fees of $35,125 and $58,543, respectively, to the newly hired Chief Operating Officer ("COO") (2025 – $24,000 and $48,000 to a company controlled by the former COO) and stock based compensation of $36,115 and $75,508, respectively (2024 – to the former COO $16,884 and $40,423, respectively). As at February 28, 2026, the Company has accrued $16,000 for consulting fees due to the former COO (2025 – $9,040).

During the three and six month periods ended February 28, 2026, the Company incurred $24,000 and $46,500, respectively in consulting fees (2025 - $19,500 and $40,000, respectively) to a company owned by the CFO and stock-based compensation of $2,503 and $15,271, respectively (2025 - $129,347 for the three and six months).

The Chief Commercial Officer ("CCO") was appointed in March 2025, during the three and six month periods ended February 28, 2026, the Company incurred $34,532 and $60,730, respectively (2025 - $nil) to companies owned by the CCO for services as the CCO and for legal services and stock-based compensation of $2,503 and $5,034, respectively (2025 - $nil).

See notes 8, 9 and 10.

During the three and six month periods ended February 28, 2026, the Company incurred stock-based compensation expense to directors and officers of $20,014 and $40,029, respectively (2025 - $191,162 and $322,288, respectively).

18. SUBSEQUENT EVENTS

Subsequent to period end 18,750 RSUs vested to the director of PharmAla Australia and a further 30,618 RSUs vested to employees of the Company. Further, on April 20, 2026, the Company granted 4,850,000 stock options to the directors and officers of the Company, which vest 25% immediately and 25% every three months until fully vested.