INITIATION OF COVERAGE REPORT

HEALTHCARE

PharmAla Biotech Holdings, Inc.

MDMA: Monetizing Regulatory Advantage Through IP and Data

August 27, 2026
Robert Sassoon
robert.sassoon@watertowerresearch.com
516-668-3632

KEY POINTS

- **Commercial today in a sector that mostly is not.** PharmAla Biotech Holdings, Inc. (CSE: MDMA/OTC: MDXXF) sells Current Good Manufacturing Practice (cGMP) MDMA under the LaNeo™ brand into more than 30 clinical trials worldwide and, via the Cortexa JV, into Australia's regulated prescribing market. Product sales of C$2.4M plus C$0.7M of Cortexa license income since FY23 separate it from pre-revenue psychedelic peers.
- **Competitive advantage lies in regulatory infrastructure, not manufacturing.** API synthesis and formulation are outsourced to CDMOs, few of which can handle scheduled substances. The defensible assets are licenses, export permits, GMP documentation, and distribution partners, which would be slow to replicate. Management itself expects generic supply to face rising competition over time.
- **LaNeo functions as acquisition currency for clinical data.** Beyond near-term revenue, clinical supply provides PharmAla with access to institutional relationships, formulation expertise, and potential clinical datasets. The company has used product supply, including low-cost or donated material, to facilitate research collaborations where the resulting data and know-how may strengthen future development programs. Management believes accumulated real-world and clinical datasets could eventually support a self-registration pathway, particularly in Australia.
- **ALA-002 delivers initial IP validation.** The ALA-002 US license to Jupiter Neurosciences, Inc. (NASDAQ: JUNS), closed July 20, 2026, is worth up to US$100 million, including US$3.3 million upfront and near term, plus a 3% US royalty, with ex-US rights retained and no dilution. The transaction, involving a Phase 2-ready compound, validates PharmAla's ability to monetize IP early and on non-dilutive terms. PharmAla subsequently cancelled the proposed Restora Neurosciences SPV license for preclinical APA-01, with the Jupiter deal demonstrating a more attractive path to direct asset monetization and an improving MDXX regulatory backdrop supporting greater flexibility. PharmAla retains full ownership of APA-01 and can pursue in-house development, co-development or future licensing, preserving another potential source of value creation.
- **Funded into FY28, with upside from further IP monetization.** The Jupiter close added ~C$2.1M (US$1.5M) in cash against C$245K in cash and liquid investments at May 31, 2026, plus ~C$2.5M (US$1.8M) of Jupiter equity, receipt subject to registration. The cash component funds operations into FY28 and we assume a raise of ~C$1.25M gross during FY27 to leave ~12 months of forward cover at the end of the projection period. Adjusted EBITDA excluding licensing income stays negative throughout. Our estimates exclude up to US$96.7M in potential Jupiter milestones and the associated 3% US royalty, which we assume fall beyond FY28. Upside therefore comes from additional territorial licensing of ALA-002, from monetization of APA-01, retained following cancellation of the Restora arrangement, and from PharmAla's broader controlled substance data, regulatory infrastructure, and development platform.

KEY STATISTICS

Ticker:Exchange	MDMA:CSE
Current Price	C$0.25
52-Week Range	C$0.09-C$0.29
Average Volume (30-Day)	231,269
Enterprise Value (C$MM)	C$27.7
Shares Outstanding (MM)	109.2
Market Cap (C$MM)	C$27.3
Fiscal Year-End	August

PRICE PERFORMANCE

Listen to our ***QUICK TAKE*** here with analyst Robert Sassoon.

COMPANY OVERVIEW

PharmAla Biotech Holdings, Inc. (CSE: MDMA; OTCQB: MDXXF) is a Toronto-headquartered biotechnology company dedicated to the development, manufacturing, and commercialization of 3,4-methylenedioxymethamphetamine (MDMA) and of novel methylenedioxyphenethylamine (MDXX) analogs for mental health and neurological applications. PharmAla was founded in 2020 by CEO Nick Kadysh with a dual focus on alleviating the global backlog of generic, clinical-grade MDMA to enable clinical trials as well as commercial sales in selected jurisdictions, and to develop novel drugs in the same class. PharmAla operates under a Health Canada Controlled Drugs and Substances Dealer's License, a license that is difficult to obtain, expensive to maintain, and central to the business it now conducts. The license is renewed periodically, with the most recently disclosed term running to January 31, 2026. The company describes itself as a research entity that does not physically possess controlled substances, with all handling performed by duly licensed laboratories. On that foundation, it has assembled what management describes as North America's first integrated cGMP MDMA value chain, spanning API manufacture and drug product formulation.

PharmAla's business comprises two structurally distinct parts that share a single chemical and regulatory foundation. The first is a commercial-stage supply operation that is currently generating modest revenue but with an anticipated growth trajectory. On management's account, PharmAla pioneered commercial supplies of cGMP MDMA under the LaNeo brand, alongside MDXX-class molecules. Its commercial channel runs through Canada and Australia, with Australia the only jurisdiction where MDMA is currently approved for prescription and where PharmAla supplies the legal market through its Cortexa JV. In the US, LaNeo is supplied into clinical trials including VA and Defense Health Agency programs, and management has positioned itself to serve the Expanded Access pathway contemplated by the April 2026 Executive Order. In Europe, PharmAla has built a value chain supplying LaNeo as clinical research material, with agreements covering Norway and the Netherlands.

The second part is drug development. PharmAla engineers next-generation MDXX compounds designed to improve on MDMA's safety profile while creating patent-protected assets. Lead candidate ALA-002, a pre-Phase 2-ready compound, has completed GMP manufacturing of drug substance components and was designed with a materially reduced cardiovascular signature relative to MDMA. Management has guided to patient dosing in 2026, although a clinical trial site contract is still being finalized and a contract research organization has yet to be selected. APA-01 is a preclinical candidate for stroke recovery and traumatic brain injury. Importantly, PharmAla is pursuing a capital-efficient development strategy. US rights to ALA-002 were out-licensed to Jupiter for upfront and milestone consideration, with ex-US rights retained. Meanwhile, the proposed Restora Neurosciences SPV for APA-01 was subsequently cancelled as PharmAla reassesses the optimal path to maximize the asset's value following the ALA-002 transaction. PharmAla has elected to retain full strategic flexibility for APA-01 and will continue to evaluate opportunities for in-house development, co-development, or future licensing. Supporting PharmAla's development and IP value-creation capabilities is Phenesafe.AI, the company's AI-enabled molecular screening platform that ranks novel MDXX compounds by predicted activity, safety, and synthesizability.

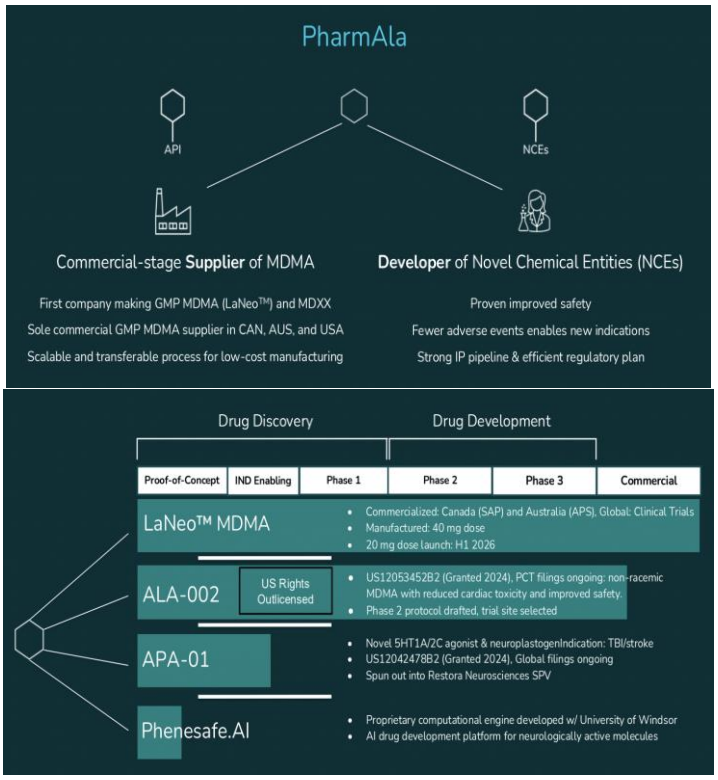
COMPANY DESCRIPTION

Controlling the Value Chain Without Owning It

An Asset-Light Business Model

PharmAla occupies an unusual position within the psychedelics sector. Most of its peers are pre-revenue clinical developers whose entire value proposition rests on trial readouts that remain years away. PharmAla, by contrast, sells product today into regulated channels to paying customers, while simultaneously advancing a proprietary pipeline. The company describes itself as focused on the research, development, and manufacturing of MDXX-class molecules, including its LaNeo branded MDMA. We view it more broadly as an integrated controlled substance platform that has assembled the regulatory licenses, quality systems, manufacturing partnerships, and commercial infrastructure needed to supply highly regulated psychedelic medicines from production through to clinical use, while capturing value across multiple points in the supply chain.

Figure 1: PharmAla in a Nutshell



Source: PharmAla Biotech

PharmAla operates with a lean team and an asset-light business model, making its integration operational rather than asset-based. PharmAla does not own manufacturing plants but rather outsources active pharmaceutical ingredient synthesis and drug product formulation to contract development and manufacturing organizations and manages the resulting supply chain itself. In December 2025, the company announced that its wholly owned subsidiary PharmAla Biotech Australia had contracted a UK-based CDMO to manufacture ALA-002 drug substance, following a global RFP process, with the CDMO's identity withheld given the controlled substance nature of the material. That disclosure is instructive on two counts. It confirms the outsourced production model and it illustrates the practical friction that makes the model defensible. Comparatively, few CDMOs hold the licenses, physical security, and regulatory standing to handle scheduled psychoactive substances.

PharmAla's competitive advantage therefore lies not in owning manufacturing assets but in controlling the more difficult parts of the value chain: regulatory licenses, import and export permits, GMP documentation, analytical and stability data, customer relationships, and commercial distribution. This regulatory and operational infrastructure would be difficult and time-consuming to replicate, creating a meaningful barrier to entry.

Clinical Supply: Regulatory Advantage in an Established Molecule

PharmAla sells cGMP-grade MDMA, branded LaNeo, principally through two distinct channels. The first supplies institutions conducting approved clinical research, including universities, hospitals, and government-supported programs, along with a narrower set of channels supporting patient access outside traditional trials. The second operates through the Cortexa JV, which supplies authorized psychiatrists in Australia with LaNeo for MDMA-assisted therapy under the country's regulated prescribing framework. Together, these activities represent PharmAla's clinical supply business and currently the company's only revenue source.

The value of PharmAla's supply model is not driven by scientific novelty as MDMA was first synthesized in the early 20th century and has been extensively studied since the 1970s. PharmAla therefore carries little molecular discovery risk in its LaNeo business. Instead, the supply model's value lies in the regulatory and operational infrastructure assembled around an established molecule. Researchers seeking to study MDMA require a documented source of

clinical-grade material, while academic and clinical institutions cannot simply manufacture their own supply. Similarly, in jurisdictions where MDMA-assisted therapy is permitted, authorized clinicians require a compliant supply chain capable of handling a scheduled substance. PharmAla's role is to bridge that gap by providing the product, quality documentation, regulatory approvals, and distribution infrastructure required to move MDMA into approved research and clinical settings.

The operating model is intentionally asset-light. PharmAla does not synthesize its own API or fill its own capsules. Instead, it contracts qualified CDMOs, maintains the quality and regulatory documentation package, secures required permits, and manages the customer supply chain. Physical possession of controlled material remains with licensed manufacturing and distribution partners.

The infrastructure supporting this model includes a Health Canada Controlled Drugs and Substances Dealer's License, permitting the company to offer MDMA and psilocybin for sale to parties authorized to hold those materials and to communicate directly with them about its offerings including Health Canada export permits, obtained separately and fulfilled through manufacturing distribution partners such as Rane Pharmaceutical; GMP documentation, analytical methods, and stability data sufficient to meet the requirements of clinical investigators, institutional procurement teams, and regulators; and licensed partners in each jurisdiction capable of physically holding and distributing scheduled substances.

Figure 2: PharmAla's Manufacturing and Distribution Partners

Source: PharmAla Biotech

Rane Pharmaceutical, an existing manufacturing and research partner that obtained Health Canada distribution licensure, manages Special Access Program distribution in Canada and has fulfilled US export shipments. In March 2025, PharmAla contracted a separate US distribution facility, which became operational on September 8, 2025, allowing domestically stored GMP-compliant inventory. This removed a key logistical constraint by eliminating cross-border export steps for US customers and, according to management, enabled fulfillment within days of a customer request. It did not remove the constraint on the customer's side, since shipment still depends on the institution obtaining its own trial and export permits, a point we return to in discussing revenue recognition.

Through its 50/50 Australian JV with Vitura Health Ltd. (ASX: VIT), Cortexa, PharmAla is extending this supply infrastructure beyond research institutions into a regulated treatment setting. The JV provides a pathway for LaNeo to reach prescribing psychiatrists and treatment providers rather than only investigators and represents the first evidence that the company's supply capability translates into a commercial rather than purely research-oriented market. We would note that Vitura has Australia-wide distribution, which it puts at the disposal of Cortexa.

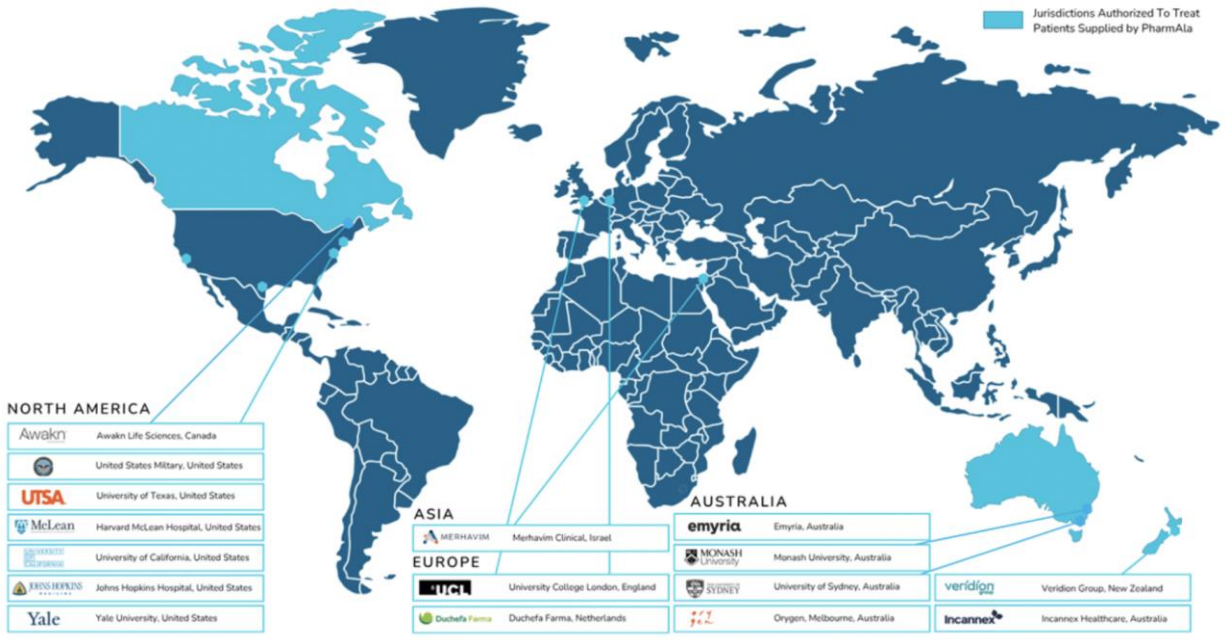
Formulation work is incremental rather than transformative, but it is not absent. PharmAla has introduced a 20mg dosage alongside its existing 40mg capsule, is developing a single-capsule presentation, and is generating three-year stability data on that format through its agreement with Amsterdam University Medical Center. Management expects this work to support commercial blister packaging for the LaNeo product line.

Thus, while PharmAla is not creating a new molecule through its LaNeo manufacturing business, its strategic and commercial logic is that it is building the regulatory, quality, and distribution infrastructure required to make an established controlled substance usable by institutions and clinicians. The durability of that particular position will depend on whether the company can convert its early regulatory advantage into lasting customer relationships and commercial scale. Management itself expects generic supply to face increasing competition over time, and looks to its patented MDXX portfolio, discussed below, as the source of enduring value.

Having spent its initial years assembling licenses, permits, quality documentation, and distribution partners, PharmAla has built a visible customer base, generated C$2.4 million in product sales alongside C$0.7 million in Cortexa license income since FY23, and gained access to a body of technical and clinical data.

Expanding Global Customer Base

Figure 3: PharmAla's Global Customers



Source: PharmAla Biotech

Historically, the supply of clinical-grade MDMA was largely concentrated within the ecosystem established by the Multidisciplinary Association for Psychedelic Studies (MAPS), which rebranded as Lykos Therapeutics in early 2024. As the sponsor of the most advanced MDMA-assisted therapy clinical program, Lykos' manufacturing network supplied a substantial portion of the MDMA used in both company-sponsored and academic research. Independent commercial suppliers capable of serving external investigators were scarce, given the regulatory complexity involved, including the need for appropriate licenses, GMP-compliant manufacturing, and international export capabilities. PharmAla was among the few companies able to meet these requirements.

The FDA's August 2024 decision not to approve Lykos' New Drug Application (NDA) for MDMA-assisted therapy for PTSD, instead requiring an additional Phase 3 trial, marked a significant turning point for the sector. In the aftermath, Lykos reduced its workforce by ~75%, reflecting the challenges created by the regulatory setback. One notable consequence was a shift in the MDMA supply landscape. Lykos scaled back as a drug product supplier to investigator-initiated trials, directing studies that had not yet received material, some said to be weeks from launch, to PharmAla for supply. PharmAla has thus been a key beneficiary, experiencing an acceleration in customer activity and demand following the FDA decision. Indeed, commenting on the FDA's ruling, PharmAla CEO Nicholas Kadysh noted a "dramatic" increase in inquiries from clinical researchers seeking information about PharmAla's products. This surge in interest suggested that, despite the disappointment surrounding the Lykos application, global enthusiasm for

MDMA research remained strong. Rather than diminishing interest in the field, the FDA's decision appears to have prompted many investigators to seek alternative supply partners capable of supporting ongoing and future clinical research programs.

Broken down further, PharmAla's customer relationships fall into four buckets, each acquired through a different route and each carrying different economics.

1. **Academic and clinical research institutions.** This represents PharmAla's largest customer category by number of counterparties, with PharmAla's GMP MDMA being supplied for use in more than 30 clinical trials worldwide. This group also contributes the majority of PharmAla's product revenue. Since September 2024, the company has announced supply agreements with Johns Hopkins Medicine, McLean Hospital at Harvard Medical School, UT Health San Antonio, the Parsons Research Center at Mount Sinai, Yale University, UCLA, the University of Washington, Amsterdam University Medical Center, and Nautilus Sanctuary. The named studies span PTSD, schizophrenia, borderline personality disorder, and narcissistic personality disorder; indications for the remaining agreements are not disclosed. Two relationships have already generated repeat business: UT Health San Antonio placed a follow-on order in February 2025 under the STRONG STAR consortium, while Mount Sinai contracted for two shipments. Separately, the Orygen Institute became the first recipient of Australian-manufactured LaNeo in December 2025 through the Cortexa JV.

Figure 4: Academic and Clinical Research Institution Counterparties

Counterparty	Country	Revenue	Data Rights	Comments
Johns Hopkins Medicine	US	✓		Supply agreement; consideration not disclosed. Announced Sep 2024, shipped Oct 2025.
McLean Hospital (Harvard)	US	✓		Supply agreement; consideration not disclosed.
UT Health San Antonio / STRONG STAR	US	✓		Supply of novel dosage form; repeat order Feb 2025 under STRONG STAR.
Mount Sinai (Parsons Research Center)	US	✓		Two contracted shipments; first completed Nov 2025.
Yale University	US	✓		Supply agreement; shipped Jun 2025. Borderline personality disorder study.
UCLA	US	✓		Supply agreement; shipped Mar 2025. Schizophrenia study.
University of Washington	US	✓		Supply agreement; shipped Mar 2025.
Amsterdam UMC	Netherlands	✓	✓	Supply plus a three-year stability program on the single-capsule format, which PharmAla expects to use for its own blister packaging development.
Østfold Hospital Trust	Norway	✓	✓	Agreement explicitly includes financial and data-sharing provisions.
Merhavim Mental Health Centre	Israel		✓	500+ LaNeo 40mg capsules supplied at zero cost in exchange for a full licence to all trial data for regulatory and commercial purposes. MAPS Israel a trial partner.
Spaulding Rehabilitation	US		✓	Product donated in exchange for a licence to study results.
Nautilus Sanctuary	US		✓	Structured as a Supply and Data Agreement; commercial terms not published.
Orygen Institute	Australia	✓		Supplied through the Cortexa JV, which is equity-accounted, so economics reach PharmAla as sales into the venture plus deferred profit rather than as a direct sale.

Source: PharmAla Biotech, Water Tower Research

2. **Healthcare institutions and hospital systems.** This group is small but strategically important because these counterparties represent institutional procurement rather than individual investigator-led demand. Østfold Hospital Trust in Norway is the clearest illustration of PharmAla's ability to meet institutional procurement requirements, having been selected following what management describes as a lengthy diligence and negotiation process during the summer and autumn of 2025. The agreement includes both financial and data sharing provisions. Merhavim Mental Health Center in Israel also falls within this category, with MAPS Israel as a trial partner and PharmAla supplying more than 500 capsules at no cost in exchange for a license to trial data for regulatory and commercial purposes. Spaulding Rehabilitation, part of the Mass General Brigham system, is structured similarly, with product donated in exchange for a license to the study result.

Figure 5: Healthcare Institution & Hospital System Counterparties

Counterparty	Country	Revenue	Data Rights	Comments
Østfold Hospital Trust	Norway	✓	✓	Selected following what management describes as a lengthy diligence and negotiation process, summer to autumn 2025. Agreement includes both financial and data-sharing provisions.
Merhavim Mental Health Centre	Israel		✓	500+ LaNeo 40mg capsules supplied at no cost in exchange for a full licence to all trial data for regulatory and commercial purposes. MAPS Israel a trial partner.
Spaulding Rehabilitation (Mass General Brigham)	US		✓	Product donated in exchange for a licence to the study results. Fibromyalgia neuroimaging trial.

Source: PharmAla Biotech, Water Tower Research

3. **US federal programs.** LaNeo is actively supplied into MDMA-related trials sponsored by and conducted within the Department of Veterans Affairs and the Defense Health Agency. The potential significance of this relationship is high given the scale of the US federal healthcare system and the focus on PTSD and related conditions among veteran and military populations.
4. **Distribution partners and regulated access channels.** Distribution is where PharmAla's regulatory infrastructure meets the market, since supplying a scheduled substance to clinics and investigators requires import and export permits, licensed storage and, in Europe, Qualified Person release. In Canada, Rane Pharmaceutical supports Special Access Program distribution, providing a pathway for patient access outside conventional trials, and has fulfilled US export shipments. In the US, an unnamed distribution partner contracted in March 2025 and operational from September 8, 2025, holds domestically stored GMP-compliant inventory, removing cross-border logistics from routine US order fulfillment. In the Netherlands, Duchefa Farma BV was appointed exclusive distributor in March 2025, with responsibilities including Importer of Record and Qualified Person release, and purchase minimums that increase upon regulatory changes enabling MDMA use within the Dutch healthcare system. In Australia, the first jurisdiction to authorize MDMA-assisted therapy within a defined clinical setting, Cortexa, PharmAla's JV with Vitura Health, provides the commercial access platform for Australia's regulated prescriber market, supported by Burleigh as exclusive Australian distributor. In New Zealand, Veridion Group was appointed exclusive distribution agent for LaNeo MDMA in September 2025, positioning PharmAla ahead of any Medsafe authorization of prescribers for MDMA following the precedent set with psilocybin. That agreement carries an annual purchase minimum, waived in the first year, and re-export restrictions, with initial shipments anticipated from inventory already allocated to Australian operations.

Figure 6: Distribution Partners & Regulated Access Channels

Counterparty	Country	Comments
Rane Pharmaceutical	Canada / US	Licensed distribution partner supporting Health Canada's Special Access Programme, the recurring channel reaching patients rather than researchers, and fulfilling US export shipments. Distribution recommenced Q2 FY2025.
US distribution partner (unnamed)	US	Contracted March 2025 and operational September 8, 2025. Holds domestically stored GMP-compliant inventory, reducing cross-border logistics for routine US order fulfillment. Infrastructure provider rather than customer.
Duchefa Farma B.V.	Netherlands	Exclusive Netherlands distributor. Acts as Importer of Record and provides Qualified Person release. Annual purchase minimums, pricing provisions, re-export restrictions, and significantly higher minimum commitments during the 24 months following any regulatory change enabling MDMA use in Dutch healthcare. Three-year term with automatic renewals.
Veridion Group	New Zealand	Exclusive distribution agent for LaNeo MDMA, signed September 2025. First-year annual purchase minimum waived, with re-export restrictions. Initial shipments anticipated from inventory allocated to Australian operations. Positions PharmAla ahead of any Medsafe authorization of prescribers for MDMA, following the precedent set with psilocybin.
Cortexa Pty Ltd	Australia	50/50 joint venture with Vitura Health (ASX: VIT). Holds exclusive rights to manufacture and distribute MDMA and psilocybin in Australia under GMP conditions using PharmAla's manufacturing technology and IP. Equity-accounted, so Australian end-market sales do not appear in PharmAla's revenue line; PharmAla receives product sales into the venture, deferred profit recognition on JV sales, and a licence fee stream that contractually concludes in FY2026.

Source: PharmAla Biotech, Water Tower Research

The Cortexa JV: Proof of a Commercial Model

In May 2023, PharmAla and Vitura Health each acquired a 50% interest in Cortexa Pty Ltd., a JV established to commercialize GMP MDMA and psilocybin products in Australia using PharmAla's manufacturing technology and intellectual property. Governance is shared equally, with each partner appointing half the board.

Cortexa was established following Australia's decision to create a regulated prescribing framework for MDMA-assisted therapy. Since July 1, 2023, authorized psychiatrists have been permitted to prescribe MDMA for PTSD under the Therapeutic Goods Administration's Authorized Prescriber scheme, a standing authorization for qualified prescribers rather than a case-by-case approval. Canada's Special Access Program also provides access outside clinical trials, with distribution supported by Rane Pharmaceutical, but it remains patient specific. Australia is therefore the first jurisdiction with a framework capable of supporting recurring commercial demand.

The structure creates two potential revenue streams for PharmAla. First, PharmAla historically supplied LaNeo GMP MDMA to Cortexa for importation and distribution. That channel generated C$476,723 in product sales to the venture in FY24, with no further sales reported since. Second, Cortexa holds a license based on PharmAla's manufacturing technology and intellectual property, permitting the manufacturing of MDMA and psilocybin in Australia under GMP conditions, for which it is required to pay A$250,000 annually to PharmAla for three years. That fee has cumulatively contributed ~C$0.7 million to PharmAla's top line since FY23, but these payments contractually finish in FY26. Distribution to Australian treatment providers runs through Burleigh, Cortexa's appointed distributor, adding a further layer between the venture and prescribing clinicians.

Cortexa established an early position in the market. Management states it was among the first to commercially import GMP-grade MDMA into Australia, supplying both clinical research and the Authorized Prescriber pathway. In March 2024, Cortexa supplied GMP psilocybin to a patient outside a clinical trial for treatment-resistant depression, described by management as an Australian first. Domestic manufacturing of GMP LaNeo 40mg capsules commenced in April 2024, and in July 2024, PharmAla completed the intellectual property transfer contemplated under the JV agreement, after which management stated the venture became permanent and irrevocable.

Cortexa's strategic importance is far more important than its financial contribution. The JV's greater value lies in what it demonstrates, notably that PharmAla's manufacturing technology transfers to another jurisdiction, that GMP product can be manufactured and supplied outside Canada, and that a regulated prescribing market can be reached through a local partnership without building standalone international infrastructure. The qualification is that the model has been tested once, in a venture that remains loss-making and equity-negative three years after formation. That deficit is largely an artifact of the three-year license fee Cortexa pays to PharmAla, an intercompany charge that concludes in FY26, after which the venture's underlying economics should be clearer.

Drug for Data: Exchanging Low-Cost Product for High-Value Assets

PharmAla's institutional relationships increasingly extend beyond conventional pharmaceutical supply agreements. Rather than optimizing exclusively for near-term LaNeo revenue, the company has used its GMP MDMA supply as a strategic asset, exchanging product for clinical data, intellectual property, formulation development, regulatory insights, and operational experience. In effect, PharmAla is converting a relatively low-cost manufactured product into higher-value assets that would otherwise require significant capital, time, and expertise to generate independently. Few companies of any size are positioned to make that trade because it requires holding something researchers cannot obtain elsewhere.

The strategy is visible across multiple counterparties. Spaulding Rehabilitation, part of the Mass General Brigham system, receives LaNeo at no cost in exchange for a license to the results of its investigator-initiated fibromyalgia study. Merhavim Mental Health Center in Israel received more than 500 capsules without charge in return for a license to resulting clinical data for regulatory and commercial purposes. Amsterdam University Medical Center combines commercial supply with a three-year stability program evaluating PharmAla's single-capsule presentation, work that management expects will support future commercial blister packaging for the LaNeo franchise. Østfold Hospital Trust includes explicit data sharing provisions alongside commercial supply, while Nautilus Sanctuary's Supply and Data Agreement indicates that clinical information forms part of the overall consideration.

These named agreements understate the footprint. PharmAla is involved in 33 clinical trials, against roughly a dozen publicly announced institutional relationships. The company's product is moving into considerably more research than its announcement record reflects, and each of those studies is a potential source of evidence.

Individually, these agreements appear small. Collectively they represent a deliberate capital allocation decision, and an unusually efficient one. PharmAla ended the third quarter with ~C$94,000 in cash, which on its own would preclude funding investigator-sponsored studies, stability programs, packaging validation, and prospective data generation. Instead, the company acquires all of it using manufactured products, whose incremental cost sits materially below its commercial value. A three-year stability program funded internally would consume cash the company does not have; at Amsterdam, the customer runs it as a condition of supply.

The assets acquired extend beyond the datasets themselves. Stability work at Amsterdam directly supports manufacturing scalability, shelf-life validation, and commercial presentation for the wider LaNeo line. Clinical datasets from Spaulding, Merhavim, Østfold, and Nautilus broaden the evidence base across indications, treatment settings, and patient populations, spanning fibromyalgia, PTSD from early sexual trauma, and post-traumatic stress in frontline healthcare workers and first responders. Each also embeds PharmAla with an institution whose procurement standards are demanding and whose future protocols are more likely to specify a supplier already qualified.

The value of this accumulated evidence has risen materially with the FDA's greater openness to Bayesian analysis, which updates a treatment's estimated probability of effect as evidence accumulates rather than resting on a single pivotal trial. Management's position is that secondary datasets were always admissible in principle but that their weight was nominal at best, and that this has now changed, while acknowledging uncertainty over how aggressively the agency will assess such analyses in practice. The comparison management draws is with ketamine, a generic molecule in wide use for which an abbreviated regulatory pathway exists. On that reading, MDMA is no longer genuinely experimental as two meta-analyses have been published, PharmAla's product is involved in 33 trials, and real-world evidence is accumulating from both Australia and Canada. PharmAla's ambition follows directly. As data accumulates, management considers registration by PharmAla itself increasingly viable, particularly in Australia where the company has established operations, deep regulatory relationships, and a functioning commercial market. That would be a materially different business from supplying a generic molecule, and it is the destination the data strategy points toward.

This distinction matters because generic MDMA is unlikely to provide a durable competitive advantage on its own. The molecule was first synthesized more than a century ago, and its composition cannot be patented, so it can ultimately be manufactured by any supplier willing to assemble the necessary licenses. Management shares this assessment, stating that manufacturing of generic molecules will in the long term be disrupted somewhat as supply increases, and that significantly more long-term value derives from IP-generating activity. What we would emphasize is that PharmAla identified this before the competition arrived and has been acting on it for at least 18 months. The more defensible asset is the accumulated knowledge surrounding clinical use: how the product is formulated, supplied, administered, studied, and integrated into healthcare systems. Every clinical relationship adds a data point, an institutional connection, and a layer of practical experience that a new entrant would need years to replicate, and that PharmAla is acquiring at manufacturing cost.

LaNeo should therefore not be viewed only as a revenue-generating supply business. For PharmAla, GMP MDMA functions as an acquisition currency exchangeable for assets a competitor cannot purchase at any price, because they accrue only to the supplier researchers are already working with. By trading low-cost product for clinical evidence, formulation knowledge, regulatory intelligence, and relationships with leading research institutions, the company is assembling an information position around MDXX medicines from a standing start in the field. Over time, that data advantage may prove considerably more valuable than the supply revenue it displaces.

Development Pipeline

PharmAla's development portfolio consists of two patented novel chemical entities (NCEs), ALA-002 and APA-01, discovered internally, supported by preclinical work conducted at the University of Arkansas for Medical Sciences in the laboratory of Dr. William Fantegrossi under a research agreement initiated in January 2022. Both composition-of-matter patents were granted by the USPTO in 2024, providing PharmAla with the foundation for a development strategy built around differentiated molecules rather than generic MDMA supply.

Figure 7: PharmAla's Two Proprietary Assets

	ALA-002	APA-01
Clinical status	Phase 2 ready	Preclinical
Asset type	Novel non-racemic MDMA composition	Novel 5HT1A/2C agonist and neuroplastogen
Patent position	USPTO patent 12,053,452, granted August 9, 2024, supplemented by process patent 12,679,817, granted August 2026, covering enantioselective preparation of MDMA and MBDB enantiomers	USPTO patent 12,042,478, granted July 30, 2024
Scientific rationale	Potentially improved cardiovascular profile versus generic MDMA, addressing practical limitations of broader patient access	Non-controlled neuroscience asset designed to enhance neuroplasticity and support recovery pathways
Initial target areas	MDMA-AT for PTSD, social anxiety disorder and related indications	Post-stroke neurorehabilitation, traumatic brain injury, and mild anxiolytic applications
Strategic fit	Core to PharmAla's MDXX strategy	Outside PharmAla's primary psychedelic identity, though retained ownership keeps development routes open
Current structure	US rights licensed to Jupiter Neurosciences; PharmAla retains ex-US rights	Wholly owned. Proposed spin out to SPV Restora Neurosciences cancelled August 21, 2026; PharmAla retains full ownership of the molecule and associated IP, and is evaluating in-house and co-development routes
Primary value creation	Building a differentiated MDMA franchise from PharmAla's supply position	Retaining a wholly owned, non-controlled neuroscience asset pending a suitable partnering structure

Source: PharmAla Biotech, Water Tower Research

The Science Behind PharmAla's Development Pipeline

MDMA: What it is and how it works. MDMA is a synthetic amphetamine derivative that also carries some pharmacological properties of the classical psychedelic mescaline. It does not occur in nature, and whether it qualifies as a psychedelic at all is debated, since its mechanism differs from psilocybin and LSD and it produces no overt hallucinatory effects.

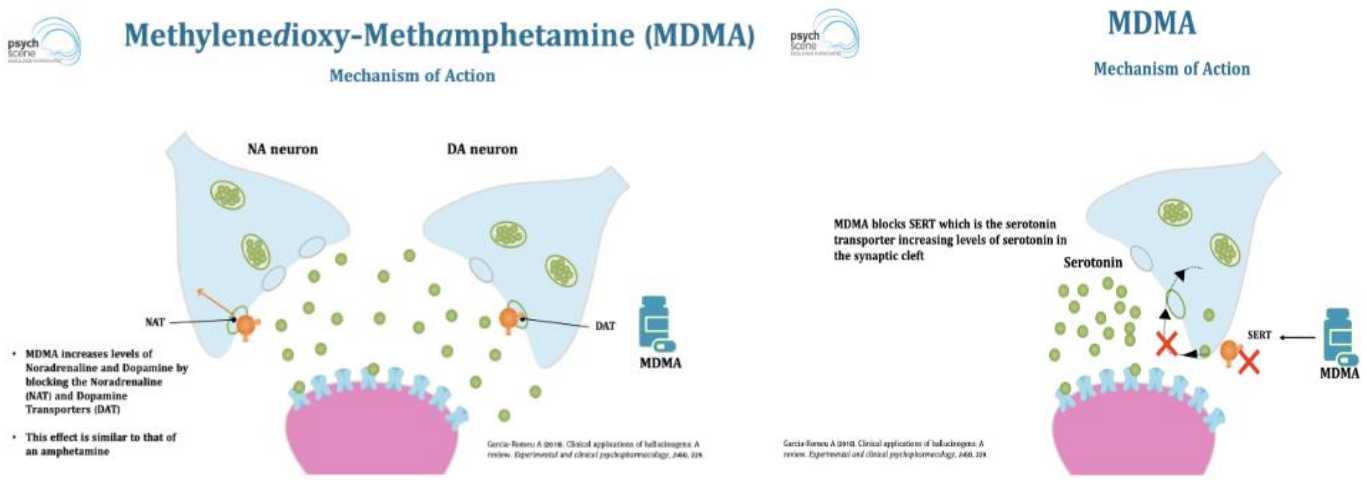
Its mechanism combines two actions. MDMA inhibits the transporter proteins that clear serotonin, dopamine, and norepinephrine from the synaptic cleft, and it enters neurons to disrupt the storage of those neurotransmitters in synaptic vesicles. Both effects raise neurotransmitter levels and activity. Unlike other amphetamines, MDMA inhibits the serotonin transporter more potently than the dopamine or norepinephrine transporters, with serotonin release materially greater than dopamine release. It also binds several receptors directly, including serotonin receptor subtypes.

The receptor profile is what separates MDMA from classical psychedelics. Psilocybin and LSD closely mimic serotonin itself and selectively activate the 5-HT2A receptor, producing interconnectedness between brain regions and durable neuroplastic change. MDMA can activate 5-HT2A, but preclinical work attributes much of its prosocial effect to the serotonin 1B receptor, which is implicated in the circuitry underlying trust and social engagement. The parallel dopamine increase converts willingness to engage socially into active motivation to do so.

The result is a compound that is stimulant and mood-elevating while also functioning as an empathogen or entactogen, increasing empathy toward oneself and others and the sense of being socially connected. MDMA is therefore better described as an affiliative drug than a hallucinogenic one.

That subjective state, reduced fear response alongside increased interpersonal openness, is why the compound is given in a small number of supervised sessions alongside structured psychotherapy rather than taken daily. The therapeutic model is an acute intervention intended to produce durable change, not chronic maintenance. Commercially, this places MDMA-assisted therapy alongside ketamine-assisted and serotonergic-agonist approaches, and outside the category occupied by daily SSRIs.

Figure 8: MDMA Mechanisms of Action



Source: Psych Scene

The cardiovascular liability. Dose-dependent increases in heart rate and blood pressure are a consistent feature of MDMA's acute clinical profile, and they are the reason trial protocols routinely exclude patients with hypertension or cardiovascular history. A separate and mechanistically distinct concern attaches to agonist activity at the 5-HT2B receptor, sustained stimulation of which has been associated with cardiac valvulopathy and is why regulators watch repeated exposure to 5-HT2B agonists closely. A clinical trial can exclude patients with vascular history, but the majority of real-world PTSD patients are hypertensive, so an exclusion that is manageable in a protocol becomes an eligibility constraint in a clinic, meaning the addressable population for generic MDMA-assisted therapy is likely materially smaller than the diagnosed population. This reality has been a key driver to PharmAla's drug development approach. A molecule that narrows the gap is solving a commercial problem rather than a scientific one.

What Re-Engineering the MDXX Class is Intended to Achieve

PharmAla's proprietary work applies three design levers, arranged by increasing distance from MDMA itself:

1. Adjusting the proportions of the existing molecule;
2. Modifying the underlying scaffold; and
3. Systematically searching for candidates with a cleaner receptor profile.

ALA-002: The Stereochemistry Approach

MDMA is ordinarily supplied and dosed as a racemate, a 50/50 mixture of two enantiomers. Enantiomers are mirror-image forms of the same molecule, designated R and S, which are chemically identical but distinguishable by the body's receptors because those receptors are themselves asymmetric. The two forms do not behave identically. The R enantiomer is generally associated with a more serotonergic and less stimulant profile than the S enantiomer. Several developers have pursued single-enantiomer or enantiomer-enriched approaches for this reason, including Atai Life Sciences (NASDAQ: ATAI) with EMP-01 targeting Social Anxiety Disorder (SAD) and Definium Therapeutics (NASDAQ: DFTX) with DT402.

ALA-002, PharmAla's most advanced proprietary asset, is a proprietary re-engineered non-racemic MDMA composition of the enantiomers covered by USPTO patent 12,053,452, granted August 9, 2024. US rights were licensed to Jupiter Neurosciences in a definitive agreement closed on July 20, 2026, with PharmAla retaining all other territories and continuing development itself. Social anxiety disorder is the indication for the planned Phase 2a/2b trial, which PharmAla intends to conduct through its Australian subsidiary. On July 6, 2026, the company announced completion of GMP manufacturing of drug substance components for the asset alongside a corporate update. A clinical trial site contract is being finalized, with the resulting relationship intended to support a further RFP for a contract research organization.

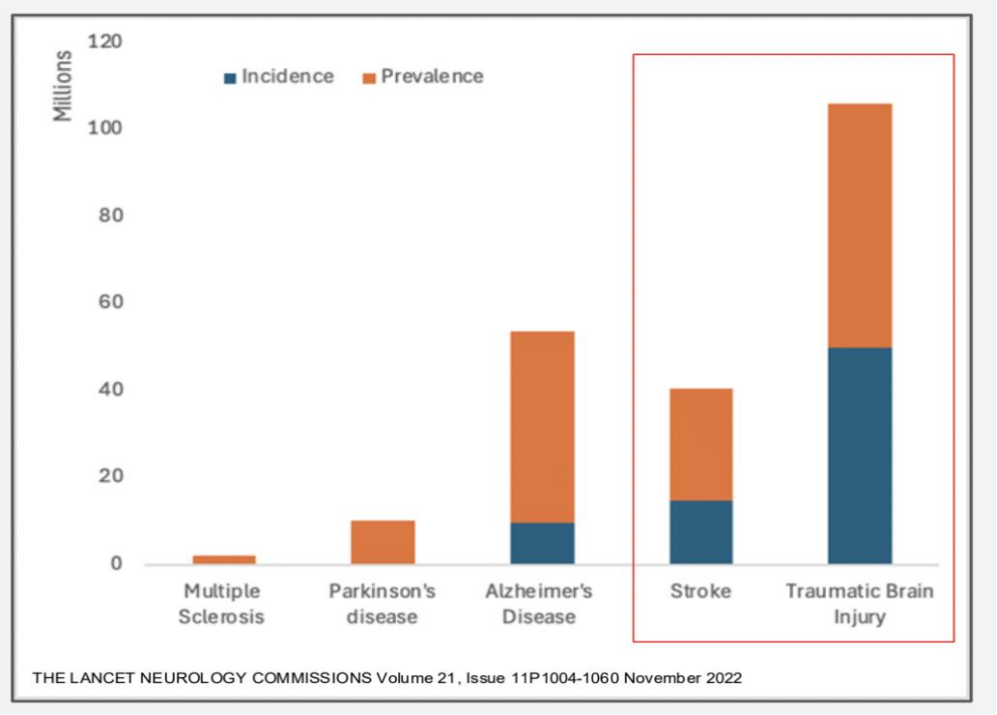
ALA-002 has been formulated to reduce cardiac toxicity and improve safety while maintaining therapeutic efficacy with the enhanced pro-social behavioral effects of MDMA. The commercial rationale is not differentiation for its own sake but a potential limitation that may matter more as MDMA-assisted therapy moves from controlled trials into broader medical use as described above. Management states that this insight emerged from PharmAla's commercial exposure supplying MDMA in Australia, making ALA-002 an example of the supply business directly informing development strategy.

APA-01: The Scaffold Modification Approach

The second lever changes the molecule rather than its proportions. APA-01, covered by USPTO patent 12,042,478 granted on July 30, 2024, is a novel small MDXX-class molecule acting as a 5HT1A/2C agonist and neuroplastogen, and it represents a fundamentally different opportunity. It behaves quite differently from MDMA: rather than flooding the brain with serotonin and dopamine, it acts directly on specific serotonin receptors and promotes neuroplasticity, the brain's capacity to form new connections. Unlike MDMA, APA-01 is not a controlled substance.

That distinction removes the licensing, handling and distribution burden that governs everything else PharmAla does, and it opens indications outside psychiatry. PharmAla views APA-01 primarily as a neurology asset rather than a psychiatric or psychedelic medicine, with potential applications in post-stroke neurorehabilitation and traumatic brain injury, large and underserved markets with no approved pharmacological treatments for functional recovery. Management describes the molecule as offering a more favorable tolerability profile than MDMA. APA-01 remains preclinical and has not yet been dosed in humans.

Figure 9: APA-01 Targets Neurological Conditions of High Unmet Need

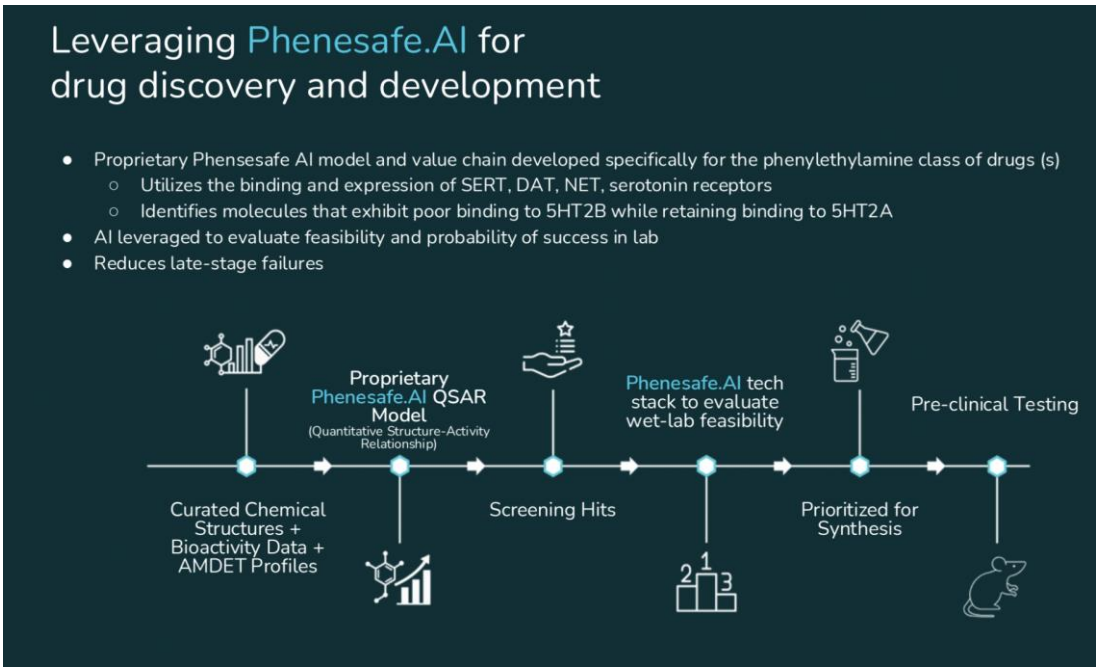


Source: PharmAla Biotech (from The Lancet Neurology)

Phenesafe.AI: The Systematic Search Approach

The third pillar industrializes the first two. Phenesafe.AI is PharmAla's proprietary computational drug discovery platform, launched in May 2025. Built around quantitative structure-activity relationship (QSAR) modeling of the phenethylamine and MDXX chemical classes, the platform integrates chemical, pharmacological, and ADMET data to identify novel compounds with improved therapeutic profiles. One objective is to reduce affinity for the 5-HT2B receptor, a potential contributor to cardiac toxicity, while preserving activity at therapeutically relevant targets such as 5-HT2A. More broadly, the platform is designed to improve the therapeutic index of MDMA-like compounds by separating desirable pharmacology from potential safety liabilities.

Figure 10: The Phenesafe.AI Discovery Workflow



Source: PharmAla Biotech

The discovery engine combines three principal data layers. The first is a curated library of chemical structures represented in a standardized, machine-readable format. The second is bioactivity data describing how structurally related compounds interact with transporters and receptors, allowing the model to predict the pharmacological properties of previously untested molecules. The third consists of ADMET data, which estimates absorption, distribution, metabolism, excretion, and toxicity to assess drug-like characteristics before synthesis. Together, these datasets allow the platform to prioritize molecules with favorable predicted efficacy and safety profiles. Candidate compounds are then evaluated for synthetic feasibility, including the practicality, cost, and complexity of laboratory manufacture. Only compounds that satisfy both pharmacological and manufacturability criteria advance to synthesis and preclinical evaluation.

The platform builds on several years of computational discovery work rather than representing a standing start. Before launching Phenesafe.AI, PharmAla collaborated with the University of Waterloo, through the laboratory of Dr. James Gauld and with MITACS support, on an earlier computational drug discovery program. The results were published in ACS Chemical Neuroscience (February 2024). Phenesafe.AI represents the commercialization of that research into an internal discovery capability.

The differentiator. The differentiator is not the use of artificial intelligence itself, which has become commonplace across discovery-stage biotechnology, but the platform's deliberate specialization. Rather than attempting to address medicinal chemistry broadly, Phenesafe.AI is focused on the narrow MDXX chemical space where PharmAla has arguably accumulated unrivalled proprietary expertise and experimental data. Management has also emphasized that this specialization keeps development costs modest while producing compounds designed specifically for the next generation of MDMA-inspired therapeutics rather than serving as a general-purpose discovery engine.

Phenesafe.AI's role. Strategically, Phenesafe.AI exists to replenish a pipeline that PharmAla's business model is designed to monetize through partners rather than to develop alone. US rights to ALA-002 have been licensed to Jupiter Neurosciences, converting internally developed intellectual property into upfront payments, potential milestones, a royalty stream, and an equity interest. APA-01 remains wholly owned following cancellation of the Restora structure, but the reasons management sought a partner for it in the first place are unchanged, so we would expect it to be partnered in some form rather than developed internally. On that basis, each asset PharmAla creates is eventually destined to leave the company in part, and without a mechanism to generate new candidates PharmAla would increasingly resemble a commercial supply business supported by licensing income rather than a company with a renewable IP pipeline. Management also contrasts this strategy with the practice of filing large numbers of defensive patents around salts, polymorphs, and formulations of existing compounds, arguing instead that its objective is to discover molecules with materially differentiated pharmacology.

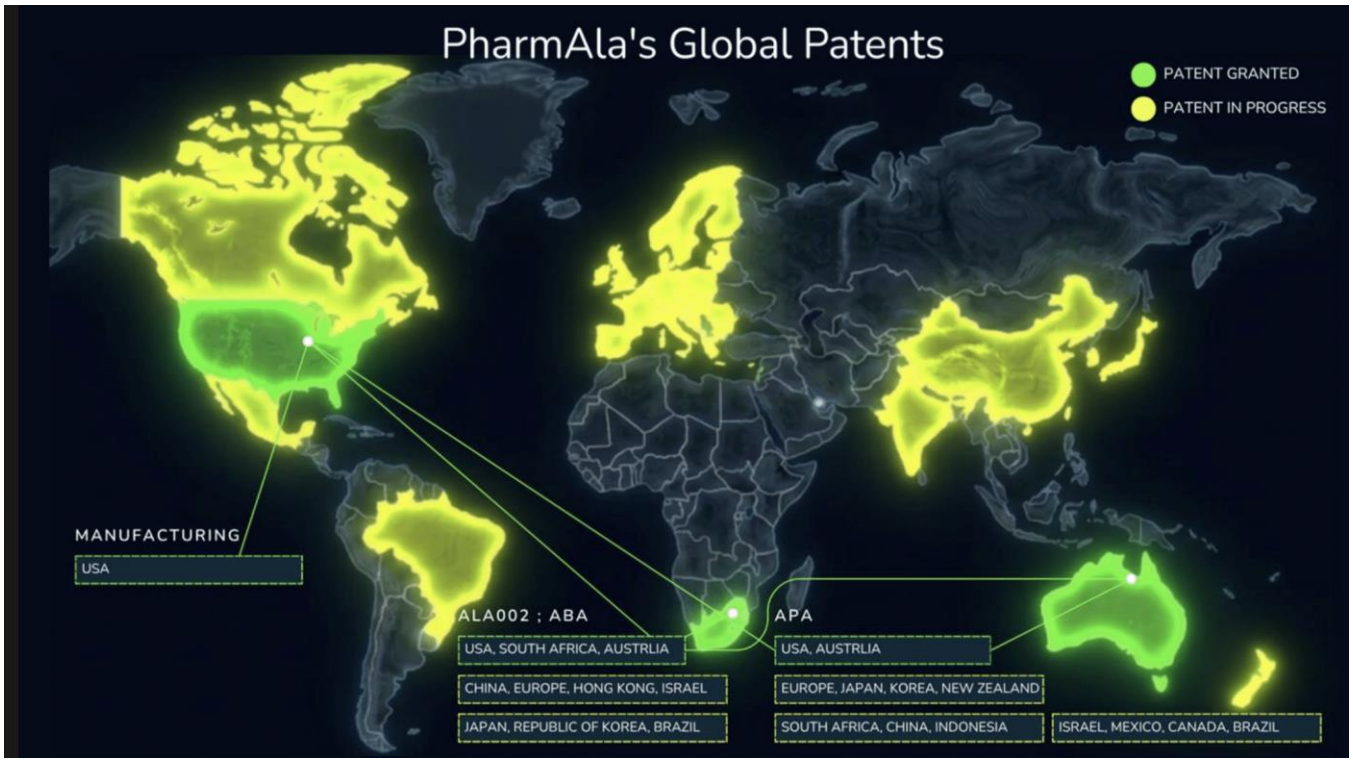
Discovery platform progress to date. According to management, the platform has already generated numerous candidate molecules, although none has yet been patented. That appears to be a deliberate capital allocation decision rather than marking a lack of progress. Patent prosecution requires capital, and a company with limited cash resources is unlikely to support broad patent filing and prosecution activity without additional financing. Thus, deferring patent applications preserves optionality even though it may carry the risk that competitors independently develop similar chemistry. However, PharmAla views that risk as acceptable within the relatively narrow MDXX chemical space, particularly given the alternative of pursuing patents that may be difficult to prosecute or defend. In any event, management has indicated that once Jupiter and Restora transactions are bedded down, attention would return to protecting compounds emerging from the existing lead pool of molecules generated by Phenesafe.AI.

Phenesafe.AI expectations. Management has suggested that the platform would justify itself economically if it generated even a single additional patentable molecule over the following year, reflecting both its relatively modest development cost and its intentionally narrow scope. The economic logic is compelling. Licensing rights to ALA-002 generated a $3.33 million (C$4.7 million) upfront payment to PharmAla, comparing favorably with management's current expectation of ~C$2 million in annual product sales across Australia and international markets on a go-forward basis. Should Phenesafe.AI ultimately produce another patentable molecule capable of supporting a comparable licensing transaction, the return on the platform could substantially exceed its development cost.

PharmAla's Global Patent Estate and Filing Profile

PharmAla's patent estate spans three families: manufacturing processes, ALA-002/ABA, and the APA composition series. Granted rights are concentrated in the US and Australia, both covering ALA-002/ABA and APA, with South Africa additionally granted for ALA-002. The manufacturing layer is the US only, recently reinforced by US Patent No. 12,679,817, covering novel processes for preparing the (R)- or (S)-enantiomers of MDMA and of MBDB. Both are chiral molecules whose mirror-image forms carry distinct pharmacological properties, and conventional manufacturing yields a racemic blend. Isolating a single enantiomer at commercial scale has historically been costly and low yielding, and the patented processes prepare individual enantiomers directly. Management describes the constraint as economic rather than chemical and expects the processes to support economical production of R-MDMA and of ALA-002, a patented non-racemic MDMA formulation, adding a process layer beneath the existing composition of matter and formulation rights in the MDXX class. Pending applications extend both compound families across Europe, Japan, Korea, China, and Brazil, with ALA-002/ABA also filed in Hong Kong and Israel, and APA further filed in New Zealand, Indonesia, South Africa, Israel, Mexico, and Canada. The estate therefore sits almost entirely behind the development assets rather than around LaNeo MDMA, which as a public domain molecule cannot support a composition claim and depends instead on regulatory standing, controlled substance licensing and manufacturing know-how.

Figure 11: PharmAla's Global IP Real Estate



Source: PharmAla Biotech

The Strategy: Monetizing Assets Without Consuming Capital.

The organizing principle behind PharmAla's development strategy is capital efficiency. The company's challenge is not a lack of scientific opportunity but the mismatch between a broad pipeline and a small-capital structure. With a market capitalization of ~C$17 million and only ~C$245,000 of liquid assets as of May 31, 2026, PharmAla does not have the balance sheet required to independently advance multiple clinical programs while simultaneously operating a commercial supply business. However, PharmAla's approach is not to abandon assets, but rather to structure them so that external partners provide the capital and development infrastructure while PharmAla retains meaningful economic exposure.

ALA-002: Licensing the US While Retaining the Platform

Management has stated that it wanted to develop ALA-002 internally but could not fund a US clinical program without excessive dilution.

The Jupiter Neurosciences transaction, initially signed as a non-binding term sheet on May 19, 2026, before turning into a definitive agreement on July 20, 2026, grants Jupiter exclusive perpetual US rights to develop, manufacture, and commercialize ALA-002. The upfront payment delivers near-term albeit modest funding of US$3.3 million, but up to an additional US$96.7 million in the form of milestones skewing the potential payout significantly higher. PharmAla will also receive a perpetual royalty equivalent to 3% of net sales derived from the US should ALA-002 move to commercialization.

All of these give PharmAla meaningful participation in ALA-002's potential US commercial success without requiring it to bear hefty US development costs, which Jupiter now assumes. Meanwhile, PharmAla continues to fund ALA-002's development in ex-US markets and its broader MDXX pipeline. Although the transaction offsets rather than eliminates its overall development spend, the practical logic still favors PharmAla as the clinical and regulatory data generated by Jupiter's US program (safety, efficacy, CMC) is likely to support PharmAla's ALA-002 ex-US filings too. Thus, the partnership can lower the effective cost and risk of the international development PharmAla is still paying for. That makes the retained rights spend more efficient.

Figure 12: The Jupiter ALA-002 Transaction

Term	ALA-002 / Jupiter Neurosciences (Definitive Agreement)
Status	Executed. Definitive agreement July 20, 2026, 61 days after the non-binding term sheet of May 20, 2026
Licensee	Jupiter Neurosciences, Inc. (NASDAQ: JUNS)
Asset	ALA-002, a non-racemic MDMA formulation with FDA New Chemical Entity designation
Structure	Direct out-license
Rights granted	Exclusive, perpetual, royalty-bearing US license to develop, manufacture and commercialize
Rights retained	All rights outside the US, including the Cortexa joint venture in Australia
Total potential value	Up to approximately $100M
Upfront consideration	$3.33M, comprising $1.50M cash and $1.83M in JUNS stock, subject to a 120-day lock-up
Development and regulatory milestones	Up to $23.33M: $3.33M on first Phase 3 patient dosing and $20M on NDA approval
Commercialization milestones	Up to $73.33M: $10M, $30M and $33.3M at $333.3M, $1.0B and $2.0B of cumulative US net sales
Royalty	3% of US net sales, payable after the third commercialization milestone
Manufacturing and supply	PharmAla to commercially supply GMP-grade ALA-002 under a separate agreement
Development funding	Jupiter assumes US development cost; PharmAla continues to fund ex-US development and the broader MDXX pipeline
Data sharing	Clinical, regulatory and CMC data generated by the US program is expected to support PharmAla's ex-US filings, lowering the effective cost and risk of retained-rights development
Dilution	None. No PharmAla shares issued in connection with the transaction
Recognized in accounts	Yes, from July 2026
Retained optionality	Ex-US territories remain available for further licensing; management has cited Japanese pharmaceutical interest following the Jupiter close

Source: PharmAla Biotech, Water Tower Research

APA-01: PharmAla Elects to Retain Full Ownership and Strategic Optionality

APA-01 was originally earmarked for separation for structural rather than scientific reasons. The molecule is neither a psychedelic nor a controlled substance, sitting in neurology rather than the neuropsychiatry base on which PharmAla built its name, and management found that investors who liked the data were reluctant to fund it through a publicly traded psychedelics developer. Capacity was the second constraint. Advancing a preclinical asset requires standing up a preclinical team and running rodent and large-animal studies, work a seven-person company was never going to undertake in-house, and CEO Nick Kadysh has described APA-01 as a tertiary program against a stated preference for focus. A partner able to run that work internally offered a faster and less capital-intensive route, with PharmAla retaining equity so that the aim was to accelerate the asset rather than divest it.

To facilitate this, PharmAla entered into a definitive agreement on May 7, 2026, with Aluvaris Inc. and its subsidiary, Diteba Inc., a Canadian preclinical laboratory with bioanalytical capabilities, to establish Restora Neurosciences Inc., a jointly owned special purpose vehicle. Under the proposed arrangement, PharmAla would have granted Restora an exclusive worldwide license to APA-01 while retaining ownership of the underlying intellectual property. In return, PharmAla was to receive 50% founding ownership of Restora alongside Aluvaris, a $500,000 licensing fee, a 3%

royalty on future revenues, and anti-dilution protection guaranteeing a minimum 25% ownership stake through the first priced financing. Completion was contingent upon Restora raising at least $2.5 million within three months of signing, a period extendable by a further three months at PharmAla's sole discretion.

On August 21, 2026, after the financing condition remained unmet at the initial deadline, PharmAla elected to terminate the proposed licensing arrangement and retain full ownership of APA-01. Management pointed to the Jupiter transaction as evidence that the company can monetize intellectual property directly on attractive terms, and to reports that Resilient Pharmaceuticals (formerly Lykos Therapeutics) had resubmitted its NDA for MDMA-assisted therapy, which MAPS corroborated on August 10, adding that the filing is proceeding without a new Phase 3 study. This indicates that Resilient is arguing the existing dataset answers the FDA's August 2024 Complete Response Letter rather than running the additional trial the agency recommended. If the NDA is accepted for review, the submission could provide a constructive regulatory signal for MDXX-class therapeutics more broadly. Against this backdrop, PharmAla's termination of the Restora agreement can be interpreted as an implicit repricing of APA-01's potential value.

While this particular partnership will not come to fruition, management indicated that the process demonstrated significant interest in APA-01 across a diverse range of clinical disorders. demonstrated significant interest in APA-01 across a diverse range of clinical disorders. Going forward, PharmAla intends to evaluate both internal development and alternative partnership opportunities. Notably, the announcement terminating the APA-01 transaction also disclosed the engagement of Canaccord Genuity as the company's exclusive financial advisor. Management described this as a logical next step following the successful completion of the Jupiter transaction, enabling a disciplined evaluation of PharmAla's strategic and financial alternatives. Given the company's validated out-licensing model, expanding patent portfolio, and specialized manufacturing capabilities, management believes it possesses a differentiated platform that few peers in the sector can match.

While the decision to retain APA-01 represents a change in execution, the underlying rationale for developing the asset outside PharmAla's core operating structure remains intact. We would therefore expect any future partnership, spinout, or co-development arrangement to preserve that separation, and would look for terms that improve on those contemplated with Restora.

FINANCIAL OVERVIEW

Financial Strategy: An IP Monetization Business Supported by Product Sales

A company with a market capitalization of ~C$28 million ($21 million) is unlikely to finance late-stage clinical development from its own balance sheet. PharmAla's solution has been to monetize intellectual property, allowing partners rather than shareholders to fund development while the company retains long-term economic participation. The execution over the past two years suggests that strategy is beginning to work.

The model is built around partnerships rather than asset sales. Vitura provided loan funding at the formation of Cortexa, and Jupiter Neurosciences is funding the US development of ALA-002, potentially PharmAla's largest commercial opportunity. In each case, PharmAla contributes intellectual property and manufacturing expertise while retaining ownership of the underlying patents. The company gives up operational control over development but simultaneously transfers much of the associated funding burden, preserving exposure to future upside through milestone payments, royalties and equity interests.

The capital secured through this approach is meaningful relative to the company's size. Approximately US$3.33 million (C$4.7 million) of headline consideration, including US$1.5 million (C$2.1 million) in cash, has been received without issuing a single new share, equivalent to roughly one-quarter of PharmAla's market capitalization. Achieving comparable financing through an equity raise at prevailing share prices would likely have been materially more dilutive to shareholders. Beyond these transactions, PharmAla Australia has executed a term sheet with Radium Capital under which Radium would advance up to 80% of expected Australian R&D Tax Incentive refunds, secured solely against those refunds and therefore self-liquidating. No tranches have been drawn, as PharmAla Australia has yet to incur qualifying expenses. A preliminary C$30 million base shelf prospectus has also been filed, on which a final receipt has not been disclosed.

The terms of the transactions also suggest PharmAla negotiated from a position of relative strength, and that it was prepared to walk away. Jupiter placed ~US$0.6 million (C$0.8 million) into escrow at signing, releasable to PharmAla as a reverse termination payment had the definitive agreement failed to close. The Restora arrangement was structured with comparable protections, including three separate reversion provisions returning all rights to PharmAla under specified circumstances, a veto over intellectual property matters, an anti-dilution floor maintaining at least a 25% ownership interest, and assignment of any improvements to APA-01 developed during the collaboration. Most

consequentially, the agreement conditioned the license on Restora raising at least $2.5 million of third-party funding and preserved PharmAla's option to cancel if that threshold went unmet, which it did. We regard the willingness to use a protective term rather than proceed on unsatisfactory conditions as a favorable indicator of how management approaches partnering generally.

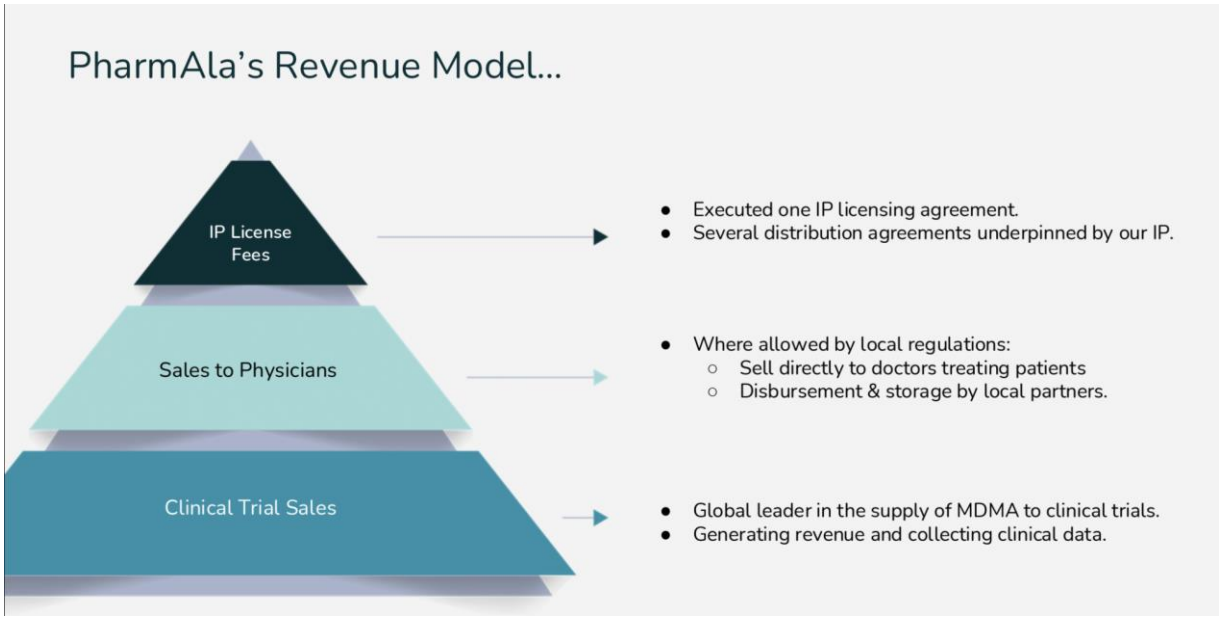
The model nevertheless depends on continually generating new intellectual property. Phenesafe.AI was developed for precisely that purpose. Notably, the platform launched in May 2025, a little over one year before the Jupiter licensing transaction was completed. According to management, Phenesafe.AI has already generated numerous lead compounds, although none has yet been patented. Management attributes that to capital allocation rather than scientific progress, noting that the company has more promising candidates than it can efficiently prosecute. However, with the Jupiter transaction completed, the plan is to return to patent filings from the existing lead pool, with success measured by the generation of even a single additional patentable molecule over the coming year. Based on ALA-002, PharmAla has already demonstrated an ability to discover, patent, and monetize differentiated MDXX assets; the next challenge is repeating that process.

PharmAla reported C$93,599 in cash and C$151,465 in liquid investments as of May 31, 2026. Since quarter-end, the closing of the Jupiter transaction has added ~C$2.1 million of cash, materially strengthening liquidity and reducing near-term financing pressure.

The result is a financial model that differs from that of most emerging biotechnology companies. Rather than repeatedly issuing equity to fund internally owned clinical programs, PharmAla aims to use commercial product sales to support operations while periodically monetizing proprietary intellectual property through licensing transactions. If Phenesafe.AI can continue replenishing the pipeline with patentable compounds, the company has the potential to repeat this cycle of discovery, licensing and royalty generation without assuming the full capital burden of late-stage drug development.

Revenue Model

Figure 13: PharmAla's Revenue Trifecta



Source: PharmAla Biotech

Before examining our financial forecasts, it is useful to understand how PharmAla is building its revenue model to create value over time. Unlike most early-stage biotechnology companies that depend almost entirely on future drug approvals, PharmAla has developed a layered commercial strategy in which each business activity supports the next. Clinical supply generates repeat-order revenue while establishing the company's position as a qualified supplier of GMP MDMA. Just as importantly, it builds relationships with investigators, develops operational expertise in moving a scheduled substance across borders, and provides access to clinical data. As regulatory pathways mature, those

same capabilities can be applied to physician sales in markets where MDMA-assisted therapy is permitted. That layer is real but is not yet visible in reported revenue. Canadian Special Access Program sales have declined to C$6,800 in the nine months to May 2026, and Australian prescriber sales sit within the Cortexa JV, which is equity accounted and therefore does not reach PharmAla's revenue line save for product sales to the JV and the license fee it receives for its manufacturing technology IP.

The highest-value layer of the model is intellectual property. In effect, PharmAla is attempting to convert a depreciating commercial advantage into an appreciating strategic asset. Management recognizes that supplying generic MDMA is unlikely to remain a durable competitive advantage as additional manufacturers enter the market. The clinical data generated through today's commercial supply business, however, could support future regulatory filings, proprietary formulations, and differentiated intellectual property. In a market built around an off-patent molecule, those assets may ultimately prove more valuable than product sales themselves.

Rather than viewing LaNeo solely as a commercial product, management increasingly treats it as a platform for creating proprietary formulations, licensing opportunities, and strategic partnerships. The recently executed ALA-002 licensing agreement demonstrates the company's ability to monetize its development pipeline through upfront payments and then through potential milestones and royalties, while distribution partnerships and the Cortexa JV further extend the commercial reach of its intellectual property. Over time, management expects licensing and IP-derived revenue to become a larger contributor to earnings than product sales alone.

Financial Outlook

Figure 14: Income Statement

Fiscal Year Ending August 31, C$	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Product revenue	810,960	379,828	1,073,627	1,503,078	1,954,001
Cortexa license income	224,337	225,670	176,629	–	–
Out-licensing income	–	–	4,666,666	–	–
Total revenue	**1,035,297**	**605,498**	**5,916,922**	**1,503,078**	**1,954,001**
Cost of goods sold	147,856	53,162	261,933	180,369	234,480
Gross profit	**887,441**	**552,336**	**5,654,989**	**1,322,708**	**1,719,521**
Product gross margin	81.8%	86.0%	75.6%	88.0%	88.0%
Operating expenses					
Consulting	264,380	210,064	209,185	240,000	260,000
Office, general and other	205,463	298,694	375,029	420,000	460,000
Investor relations	89,165	143,152	138,991	160,000	175,000
Research and development, net of tax incentive	125,287	243,935	176,536	347,750	347,750
Payroll	94,196	355,281	489,186	650,000	780,000
Professional fees	163,583	412,210	537,178	450,000	480,000
Stock-based compensation	541,324	925,178	727,192	500,000	450,000
Depreciation and amortization	70,209	117,047	119,510	120,000	120,000
Total operating expenses	**1,553,607**	**2,705,561**	**2,772,807**	**2,887,750**	**3,072,750**
Operating profit / (loss)	**(666,166)**	**(2,153,225)**	**2,882,182**	**(1,565,042)**	**(1,353,229)**
Loss on debt settlement	–	(35,632)	(66,047)	–	–
Deferred joint venture profit	(157,430)	30,643	31,381	20,000	15,000
Joint venture share of losses	–	(17,030)	–	–	–
Net income / (loss)	**(823,596)**	**(2,175,244)**	**2,847,516**	**(1,545,042)**	**(1,338,229)**
Memo					
Adjusted EBITDA	**(54,633)**	**(1,128,030)**	**3,728,884**	**(945,042)**	**(783,229)**
Adjusted EBITDA excluding out-licensing income	**(54,633)**	**(1,128,030)**	**(937,782)**	**(945,042)**	**(783,229)**
Weighted average shares	85,000,000	98,000,000	108,860,000	116,252,490	122,792,074
Earnings / (loss) per share	(0.010)	(0.022)	0.026	(0.013)	(0.011)

Source: Water Tower Research

Figure 15: Balance Sheet

Fiscal Year Ending August 31, C$	FY2025A	FY2026E	FY2027E	FY2028E
Assets				
Cash	40,187	1,923,892	2,274,887	1,313,343
Short-term investments	920,473	150,000	100,000	100,000
Accounts receivable	37,791	227,317	315,646	410,340
Inventory	369,709	601,016	841,724	1,094,241
Prepaid, deposits, HST and other assets	278,704	259,883	412,133	412,133
Investment in Jupiter Neurosciences shares	–	2,566,666	2,566,666	2,566,666
Intangible assets, MDXX	1,770,100	1,711,340	1,652,090	1,592,840
Equipment	2,918	2,168	1,418	668
Total assets	**3,419,882**	**7,442,282**	**8,164,565**	**7,490,231**
Liabilities and equity				
Payables, accruals and deferred joint venture profit	685,697	789,919	891,796	961,396
Customer deposits and deferred revenue	276,035	342,338	480,985	625,280
Radium advance outstanding	–	–	121,800	121,800
Total liabilities	**961,732**	**1,132,257**	**1,494,581**	**1,708,476**
Total equity	**2,458,150**	**6,310,025**	**6,669,984**	**5,781,755**
Total liabilities and equity	**3,419,882**	**7,442,282**	**8,164,565**	**7,490,231**
Working capital	685,132	2,029,851	2,449,809	1,621,580

Source: Water Tower Research

Figure 16: Cash Flow Statement

Fiscal Year Ending August 31, C$	FY2025A	FY2026E	FY2027E	FY2028E
Operating activities				
Net income / (loss)	(2,175,244)	2,847,516	(1,545,042)	(1,338,229)
Depreciation and amortization	117,047	119,510	120,000	120,000
Stock-based compensation	925,178	727,192	500,000	450,000
Other non-cash items	(85,152)	34,666	(20,000)	(15,000)
Less: consideration received in Jupiter shares	–	(2,566,666)	–	–
Change in non-cash working capital	174,474	(49,486)	(220,763)	(118,316)
Operating cash flow	**(1,043,697)**	**1,112,732**	**(1,165,805)**	**(901,544)**
Investing activities				
Intangible asset additions	(35,267)	(60,000)	(60,000)	(60,000)
Short-term investments, net	(900,000)	770,473	50,000	–
Investing cash flow	**(935,267)**	**710,473**	**(10,000)**	**(60,000)**
Financing activities				
Private placement, net of costs	1,527,572	–	–	–
Option and warrant exercises	72,200	60,500	255,000	–
Radium advance drawn, net of repayment	–	–	121,800	–
Equity financing, net of costs	–	–	1,150,000	–
Financing cash flow	**1,599,772**	**60,500**	**1,526,800**	**–**
Cash				
Net change in cash	(379,192)	1,883,705	350,995	(961,544)
Cash, beginning of period	419,379	40,187	1,923,892	2,274,887
Cash, end of period	**40,187**	**1,923,892**	**2,274,887**	**1,313,343**
Months of cover at closing cash		19.6	28.4	16.4

Source: Water Tower Research

Key Financial Highlights

Revenue solidifies but remains modest and lumpy. We estimate FY26 revenue will be ~C$6 million, marking a record year for PharmAla, but we have included an estimated C$4.7 million from the Jupiter Neurosciences upfront payment. Excluding licensing income, the underlying supply business is estimated at ~C$1.1 million and remains the commercial foundation supporting PharmAla's broader IP strategy.

Commercial supply business continues to scale. Product revenue is forecast to increase from C$1.1 million in FY26 to C$2.0 million by FY28, supported by the US distribution site that now permits fulfilment within days of a customer request, alongside newly opened European and New Zealand channels.

High-margin model with emerging operating leverage. FY26 product gross margin of 75.6% is dampened by psilocybin sales, concentrated in 3QFY26. Management describes psilocybin as a secondary product for which it does not maintain active inventory, and states that purchasing the inventory drove the corresponding increase in cost of goods sold because these are lower-margin sales. The reported figures bear this out: the C$281,468 psilocybin sale carried a margin of ~46%, while the balance of nine-month product sales realized ~85%. We assume product gross margins revert to an MDMA-only rate of 88% from FY27 through FY28, modestly above that realized rate. On our estimates, product gross profit covers 42% of cash operating expenses in FY26, rising to 55% in FY27, and 65% in FY28 as the supply business scales. Recognizing the Australian R&D Tax Incentive as an offset lifts those last two figures to 58% and 69%.

Investment phase continues. Adjusted EBITDA excluding licensing revenue remains negative through the forecast period as PharmAla funds ALA-002 ex-US development and continues building its proprietary MDXX pipeline.

Cortexa contributes more strategically than financially. Because the venture is equity-accounted, Cortexa's revenue does not appear in PharmAla's income statement; instead, PharmAla recognizes its share of the venture's profits or losses. The investment's carrying value was reduced to nil by FY25, so under IAS 28 PharmAla no longer recognizes additional equity-accounted losses. C$762,533 of unrecognized cumulative losses must be offset by future Cortexa profits before equity income can resume. Our forecasts assume PharmAla recognizes the Cortexa license fee for the final time in FY26. No further product sales to the JV have occurred since FY24, although PharmAla continues to recognize deferred profit as Cortexa sells through inventory purchased previously. We forecast no Cortexa-related income statement contribution in FY27 or FY28.

Balance sheet materially improved, though modest financing is still required. The Jupiter transaction contributes US$1.5 million in cash alongside US$1.8 million in Jupiter stock, receipt of which is subject to JUNS filing a registration statement. Reported cash on May 31, 2026, was C$93,599 against a nine-month operating outflow of C$673,588, and the 3QFY26 statements carry a material uncertainty over going concern, so the transaction is a step change. On our estimates, it funds operations into FY28 rather than through it. Absent new equity, and assuming exercise of the in-the-money options expiring during FY27, we estimate FY28 closing cash of ~C$163,000, or about two months of cover. Our forecasts therefore assume a modest raise of ~C$1.25 million gross during FY27, which we size to leave ~12 months of forward cover at the end of the forecast period. A C$30 million base shelf prospectus is filed, providing the mechanism.

Licensing represents the largest upside driver. Following the cancellation of Restora, management describes the asset as being evaluated for alternatives including internal development and partnering, neither of which we assume. We also exclude Jupiter milestones of up to US$96.7 million, royalty streams that likely fall beyond our projection period, and any future territorial licenses. That leaves meaningful upside outside our forecast, dependent on transactions that are individually large, irregular in timing and difficult to predict.

VALUATION

Valuing the Supply Business, Benchmarking the IP Ambition

PharmAla operates in a niche area with few direct competitors. The company combines an operating controlled-substance supply business, a proprietary clinical-stage pipeline, and a discovery capability whose value is most likely to be realized in IP monetization opportunities through licensing and strategic partnerships rather than internal development. Accordingly, we benchmark PharmAla against three distinct peer groups: (1) MDMA-exposure companies, which reflect the value of controlled-substance manufacturing capabilities and participation in the emerging psychedelic medicine ecosystem; (2) pre-revenue clinical psychedelic and neuroplastogen companies, which provide reference points for valuing proprietary CNS assets and clinical-stage drug development programs; and (3) IP value monetization platforms, which represent the longer-term strategic opportunity of creating value through enabling technologies, licensing partnerships, milestone payments, and royalty streams.

The first two groups capture PharmAla's current operating footprint and clinical pipeline, while the IP monetization group speaks to the company's longer-term ambition. Halozyme and Ligand have demonstrated how proprietary technology platforms can generate substantial value through partner-funded development rather than internal commercialization, and Ionis provides precedent for monetizing discovery output that exceeds a company's own funding capacity. We include these companies to establish that the model creates durable value, not as valuation benchmarks for PharmAla at its current scale. PharmAla is considerably earlier and materially smaller, but its LaNeo supply infrastructure, the ALA-002 and APA-01 programs, and the Phenesafe.AI discovery capability are the components from which a controlled-substance IP position can be built.

Figure 17: Valuation Comps

Comp Name	Ticker	MV ($M)	EV ($M)	Basis of Comparability
MDMA-Exposure				
Optimi Health	NASDAQ: OPTH	28	22	GMP manufacturer of controlled psychedelics with MDMA capability. Closest listed analogue to the LaNeo clinical supply business and to PharmAla's controlled-substance manufacturing and quality infrastructure.
Emyria	ASX: EMD	27	20	Australian company combining controlled-substance access, clinical research and proprietary data generation. Overlaps with PharmAla's practice of converting clinical supply relationships into licensed trial data.
Vitura Health	ASX: VIT	13	18	Australian medical cannabis and psychedelic medicine platform, and PharmAla's 50/50 counterparty in the Cortexa joint venture. Direct exposure to the TGA Authorized Prescriber commercial channel.
Pre-Revenue Clinical Psychedelic / Neuroplastogen Companies				
Definium Therapeutics	NASDAQ: DFTX	5,814	4,767	Clinical-stage novel neuropsychiatric drug developer with a Phase 3 LSD-derived program in GAD and MDD, alongside DT402, a Phase 2 R(-)-MDMA candidate in ASD. Carries MDMA-class exposure as well as a clinical pipeline, so it spans the first two groups.
Atai Life Sciences	NASDAQ: ATAI	2,737	2,511	Multi-asset psychedelic developer whose EMP-01 is an R-MDMA derivative in social anxiety disorder, the same enantiomer approach and lead indication as ALA-002.
GH Research	NASDAQ: GHRS	1,929	1,566	Developer of short-acting proprietary psychedelic compounds in depression. Reference point for how the market values differentiated CNS chemistry ahead of approval.
Compass Pathways	NASDAQ: CMPS	1,966	1,583	Most clinically advanced psychedelic developer. Benchmark for late-stage asset valuation and for the regulatory pathway the sector is following.
Bright Minds Biosciences	NASDAQ: DRUG	760	543	Next-generation serotonergic medicines built on differentiated receptor selectivity. Directly comparable to PharmAla's receptor-level optimization of MDXX pharmacology.
Helus Pharma	NASDAQ: HELP	955	789	Clinical-stage developer of structurally modified psychedelics. Read-across to the novel-analogue strategy behind ALA-002 and the MDXX patent estate.
Entropy Neurodynamics	ASX: ENP	46	42	Clinical-stage Phase 2 developer of IV psilocin treatment binge eating disorder
IP Value Monetization Platforms				
Halozyme Therapeutics	NASDAQ: HALO	12,330	12,066	ENHANZE drug-delivery technology licensed to multiple large-pharma partners, with economics from milestones, royalties and supply. The cleanest listed example of enabling-technology out-licensing at scale.
Ionis Pharmaceuticals	NASDAQ: IONS	10,310	8,994	Antisense platform monetized through partnering where discovery output exceeded internal funding capacity. The Akcea vehicle is precedent for separately capitalizing assets a platform cannot fund alone.
Ligand Pharmaceuticals	NASDAQ: LGND	5,586	4,895	Asset-light model built on licensing, royalties and partner-funded development. Captisol demonstrates that an IP owner can retain economics without commercial infrastructure.
PharmAla Biotech	CSE: MDMA / OTCQB: MDXXF	21	21	Controlled-substance supply business generating revenue today, alongside the proprietary MDXX candidates ALA-002 and APA-01 and the Phenesafe.AI discovery platform. The US license of ALA-002 to Jupiter Neurosciences is the only completed IP monetization transaction to date.

Note: Prices as of August 24, 2026

Source: Water Tower Research, FactSet

Figure 18: Upcoming Catalysts

Category	Catalyst	Expected Timing	Control	Consequence
Financial and Funding				
FY2026 audited annual results	Full-year results (year ended August 31, 2026)	Filing deadline approximately late December 2026	PharmAla	First full fiscal year incorporating the Jupiter licensing proceeds and the expanded cost structure
Radium RDTI facility	Execution and potential drawdown	N/A	PharmAla	Non-dilutive funding secured against expected Australian RDTI refunds. No tranches drawn until qualifying expenses are incurred
Australian RDTI refund	Claim submission and receipt	Annual cycle; receipt timing agency-dependent	PharmAla (claim); third party (timing)	Direct non-dilutive cash inflow and the collateral underpinning the Radium facility
Commercial Execution				
LaNeo commercial growth	Continued order expansion and customer adoption	Ongoing	PharmAla	Supports growth in the GMP MDMA supply business. Revenue remains lumpy and order-driven
Second GMP 20mg capsule batch	Manufacturing completion	Ongoing	PharmAla	Supplies STRONG STAR DoD trial requirements and the Cortexa channel
Cortexa JV commercialization	Australian Authorized Prescriber channel growth	Ongoing	Shared (50/50 PharmAla / Vitura)	Determines the JV revenue and loss trajectory carried at equity. License fee income ends in FY2026
Expanded Access pathway opens	Regulatory and institutional implementation following the April 18, 2026, EO	Dependent on implementation	Third party	Would create an incremental US clinical supply channel
Pipeline Development				
ALA-002 ex-US clinical advancement	Trial initiation; named PI Prof. Adam Guastella, University of Sydney	N/A	PharmAla (ex-US rights retained)	First human data on the lead MDXX compound. No patient has been dosed to date
Jupiter advancement of ALA-002	Progress toward IND-enabling studies and Phase 2	N/A	Third party (Jupiter Neurosciences)	Drives development and commercialization milestones. The 3% US royalty begins only after US$2bn in cumulative US net sales, so near-term economics are milestone-driven
APA-01 development path	Partnering, financing, or internal advancement following termination of the Restora arrangement	N/A	PharmAla	APA-01 is wholly retained and unencumbered. The asset now requires a funding route, and PharmAla carries the full cost of any internal advancement
IP and Strategic Optionality				
MDXX intellectual property	Patent prosecution and additional grants	Ongoing	PharmAla	Strengthens the defensibility underpinning ALA-002, APA-01 and the broader MDXX position
Additional licensing transactions	Out-licensing of further assets or platform capabilities, including APA-01 and ALA-002 ex-US territories	N/A	PharmAla	Highest-impact catalyst for the IP monetization argument. Jupiter remains the only completed transaction, so a second would establish repeatability
Phenesafe.AI	Partnering or monetization of the discovery platform	N/A	PharmAla	Platform value beyond the individual MDXX assets. Lead library is unpatented by design

Source: Water Tower Research, PharmAla Biotech

MANAGEMENT

Nick Kadysh, Founding CEO. Nick Kadysh founded PharmAla in 2020 after a decade in public affairs and regulatory leadership at JUUL Labs, GE Canada, and Red Bull Canada, and before that, roles in both the Ontario legislature and the Parliament of Canada. His regulatory background is directly relevant to the business he has built. Supply of a Schedule III substance to clinical trials is constrained principally by licensing, permitting, and jurisdictional access rather than by manufacturing capability, and PharmAla's commercial progress to date has been measured in regulatory milestones.

Will Avery, CFO. Will Avery spent nine years as a partner at MNP LLP over a career of nearly two decades in public accounting, holding leadership roles overseeing more than 100 staff and partners. He advised companies pursuing public and dual listings in Canada and the US, providing US GAAP and IFRS expertise across a range of industries and company sizes, including issuers with market capitalizations above $1 billion. Since retiring from public accounting in 2023, he has advised small and mid-market companies, serving as CFO or supporting management with reporting and regulatory complexity.

Dr. Farnoud Kazemzadeh, COO. Dr. Farnoud Kazemzadeh is a deep-tech founder and operator with a career spanning R&D, operations, and organizational design in highly regulated industries. As co-founder and operations leader of Vital Biosciences, he scaled the company from concept to ~200 people and a 100,000-square-foot GMP-ready campus, having previously directed R&D for its VitalOne diagnostic platform. He also founded Elucid Labs, developer of an AI-enabled multispectral digital biopsy device and launched Lumalytics in holographic microscopy and hyperspectral imaging. He holds more than 75 patents and publications, a PhD and MASc in Systems and Optical Engineering from the University of Waterloo, an MSc in Space Sciences from the International Space University, and a BSc in Physics and Astrophysics from Waterloo.

RISKS

Regulatory and market adoption risk for psychedelic medicines. PharmAla's long-term opportunity depends on broader acceptance of MDMA-assisted therapy and psychedelic medicines by regulators, healthcare providers, researchers, and ultimately payers. Delays in regulatory approvals, evolving compliance requirements, or slower-than-expected adoption could limit growth in clinical supply demand and reduce the commercial opportunity for ALA-002 and other MDXX-based therapeutics.

Erosion of supply economics as the market matures. PharmAla's LaNeo business benefits from early-mover advantages, regulatory licenses, GMP capabilities, and established supply infrastructure. However, as additional suppliers enter the market, increased competition could pressure pricing and margins, particularly for non-proprietary controlled substances where long-term differentiation is primarily based on quality, reliability, and regulatory execution rather than patent protection.

IP creation and competitive risk. PharmAla's long-term upside depends on its ability to transform scientific know-how into defensible intellectual property. Beyond ALA-002 and APA-01, the Phenesafe.AI platform could enable the discovery of novel, patentable MDXX-class compounds by optimizing molecular structures for improved safety and therapeutic profiles. However, the platform remains early-stage, and its ability to generate differentiated, commercially valuable drug candidates has yet to be validated.

Clinical development and pipeline risk. ALA-002, APA-01, and future MDXX programs remain subject to the risks inherent in biotechnology development, including clinical trial failure, safety concerns, regulatory delays, increased development costs, and an inability to demonstrate meaningful differentiation versus existing MDMA or emerging psychedelic-based therapies.

Commercial scaling and demand risk. LaNeo revenue remains an emerging business dependent on growth in clinical research activity, institutional adoption, distribution expansion, and broader demand for GMP psychedelic materials. Failure to achieve sufficient order growth, maintain strategic relationships, or scale manufacturing efficiently could constrain revenue growth and delay profitability.

Financing and capital requirements. PharmAla remains a small-capitalization company with an emerging revenue base, requiring ongoing investment in manufacturing infrastructure, clinical programs, regulatory activities, and commercialization initiatives. Additional capital may be required, and future equity financing could result in shareholder dilution if operating cash flow and non-dilutive funding sources are insufficient.

ABOUT THE ANALYST

Robert Sassoon
Managing Director – Healthcare, Emerging Growth & Special Situations, Neurosciences

Robert Sassoon has been an equity analyst for more than three decades, focusing primarily on global special situations. During his career, Robert has worked for several sell-side institutions in London, Hong Kong, and New York, including Credit Suisse, NatWest Capital Markets, and Societe Generale. In 2017, Robert founded AlphaSituations, an independent idea-generating event driven/special situations investment research service, which produced comprehensive research on early stage/emerging publicly traded and privately owned companies with the goal of telling an underappreciated or unknown story to relevant investors.

Robert has developed a uniquely broad and deep knowledge base in multiple industries from a global perspective and has achieved top five rankings in various analyst surveys, including the Extel and Greenwich surveys. Robert holds an MSc in Economics from the London School of Economics and Political Science, and has held FINRA licenses Series 7, 63, 86, 87, and 24.

DISCLOSURES

Water Tower Research ("WTR") is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms ("the Companies"). WTR provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

WTR is not a registered investment adviser or a broker/dealer and it does not provide investment banking services. WTR provides its research services pursuant to the so called "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. WTR does not provide investment ratings / recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of WTR's reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships with the subject company other than providing digital content and any ancillary services that WTR or its affiliates may offer.

Unless otherwise indicated, WTR intends to provide continuing coverage of the covered companies. WTR will notify its readers through website postings or other appropriate means if WTR determines to terminate coverage of any of the companies covered.

WTR is being compensated for its research by the company which is the subject of this report. In that regard, and as provided for in the specific engagement agreement with the company, WTR may receive up to $15,000 per month for research services, as well as additional compensation to the extent the company has engaged WTR to provide other services ("Ancillary Services"). The covered company is required to have at least a 1-year commitment for research services, subject to the terms of the specific engagement agreement. None of the earned fees are contingent on, and WTR's client agreements are not cancellable based upon the content of its reports. WTR does not accept any compensation in the form of warrants or stock options or other equity instruments that could increase in value based on positive coverage in its reports. The companies that WTR covers in our research are not required to purchase or use Ancillary Services that WTR or an affiliate might offer to clients.

The manner of WTR's potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. WTR is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly-written compliance guidelines.

The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, agents or affiliate shall be liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit or opportunity costs.

WTR may publish equity research with the aid of artificial intelligence tools for the purposes of report drafting, data analysis, financial modeling, transcription summaries and other report requirements. All AI-generated content receives appropriate supervision, oversight, and quality assurance.

All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit WTR's website www.watertowerresearch.com.