

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Continuous Disclosure Obligations Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of PharmaCorp Rx Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and are approved by the Audit Committee of the Company's board of directors. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Condensed Consolidated Interim Statements of Financial Position

As at: September 30, 2024 and December 31, 2023

(Expressed in Canadian dollars)

As at	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets			
Current assets			
Cash		\$ 26,676,588	\$ 2,241,761
Deferred financing costs		-	78,750
Accounts receivable		222,516	-
Goods and Services Tax ("GST") receivable		228	-
Inventories		329,368	-
Prepaid expenses and deposits		64,412	-
Total current asset		27,293,112	2,320,511
Property and equipment	5	344,894	-
Right of use assets	7	564,675	-
Intangible assets	6	1,942,442	-
Goodwill	6	1,933,887	-
Total assets		\$ 32,079,010	\$ 2,320,511
Liabilities			
Current liabilities			
Accounts payable and accruals		\$ 492,157	\$ 46,185
Current portion of lease liabilities	7	72,886	-
Current portion of long-term debt	8	75,412	-
Total current liabilities		640,455	46,185
Long-term debt	8	337,059	-
Lease liabilities	7	504,378	-
Deferred tax liability	4	527,856	-
Total liabilities		2,009,748	46,185
Equity			
Share capital	9	31,479,343	2,798,865
Contributed surplus		1,122,964	488,792
Retained deficit		(2,785,477)	(1,013,331)
Equity attributable to owners of the parent		29,816,830	2,274,326
Non-controlling interest		252,432	-
Total equity		30,069,262	2,274,326
Total liabilities and equity		\$ 32,079,010	\$ 2,320,511

Subsequent events (Note 16)

Approved on behalf of the Board of Directors:

(signed)

Director

(signed)

Director

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

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Three months-ended		Nine months-ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Sales	10	\$ 1,104,423	\$ -	\$ 1,395,839	\$ -
Cost of sales		<u>688,999</u>	<u>-</u>	<u>881,751</u>	<u>-</u>
Gross profit		415,424	-	514,088	-
Operating expenses					
Depreciation	5,6,7	75,883	-	98,311	-
General and Administrative		105,357	111	168,229	467
Share-based payment expense		731,385	-	731,385	-
Professional fees		254,188	129,414	1,013,944	335,141
Interest on long term debt	8	6,223	-	8,311	-
Salaries, wages and benefits		<u>364,034</u>	<u>-</u>	<u>448,719</u>	<u>-</u>
Loss from operations		(1,121,646)	(129,525)	(1,954,811)	(335,608)
Other income (expense)					
Interest expense	7	(7,430)	-	(9,727)	-
Rental income		1,200	-	1,200	-
Interest income		151,083	28,662	189,749	81,373
		<u>144,853</u>	<u>28,662</u>	<u>181,222</u>	<u>81,373</u>
Net loss before income taxes		(976,793)	(100,863)	(1,773,589)	(254,235)
Current income tax expense		9,098	-	10,797	-
Deferred tax recovery		<u>(8,270)</u>	<u>-</u>	<u>(10,218)</u>	<u>-</u>
Net loss and comprehensive loss		\$ <u>(977,621)</u>	\$ <u>(100,863)</u>	\$ <u>(1,774,168)</u>	\$ <u>(254,235)</u>
Net loss attributable to non-controlling interests		\$ (1,760)	\$ -	\$ (2,023)	\$ -
Net loss attributable to shareholders of PharmaCorp Rx Inc.		<u>(975,861)</u>	<u>(100,863)</u>	<u>(1,772,145)</u>	<u>(254,235)</u>
Net loss and comprehensive loss		\$ <u>(977,621)</u>	\$ <u>(100,863)</u>	\$ <u>(1,774,168)</u>	\$ <u>(254,235)</u>
Loss per share					
Basic and diluted	9	\$ (0.01)	\$ -	\$ (0.03)	\$ (0.01)
Weighted average number of shares (Note 9)		113,157,839	40,278,400	69,786,691	40,211,481

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

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	Note	Shares Number	Amount	Contributed Surplus Amount	Retained Deficit	Non-Controlling Interest	Total
Balance December 31, 2022		40,000,000	\$ 2,743,185	\$ 516,632	\$(542,903)	\$ -	2,716,914
Exercise of agents warrants	9	278,400	55,680	(27,840)	-	-	27,840
Net loss and comprehensive loss		-	-	-	(254,235)	-	(254,235)
Balance September 30, 2023		<u>40,278,400</u>	<u>2,798,865</u>	<u>488,792</u>	<u>\$(797,138)</u>	-	2,490,519
Balance December 31, 2023		40,278,400	2,798,865	488,792	(1,013,332)	-	2,274,325
Exercise of warrants	9	1,632,600	260,473	(97,213)	-	-	163,260
Shares issued in connection with the acquisition	9	2,730,075	1,092,030	-	-	-	1,092,030
NCI recognized due to business acquisition	4	-	-	-	-	254,455	254,455
Shares issued in connection with tranching public offering	9	72,312,500	27,327,975	-	-	-	27,327,975
Stock options granted		-	-	731,385	-	-	731,385
Net loss and comprehensive loss		-	-	-	(1,772,145)	(2,023)	(1,774,168)
Balance September 30, 2024		<u>116,953,575</u>	<u>\$ 31,479,343</u>	<u>\$ 1,122,964</u>	<u>\$(2,785,477)</u>	<u>\$ 252,432</u>	30,069,262

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

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)
(unaudited)

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(unaudited)

		September 30, 2024	September 30, 2023
Cash provided by (used in)			
Operating activities			
Net loss		\$ (1,774,168)	\$ (254,235)
Adjustments for items not involving cash			
Deferred tax recovery		(10,218)	-
Depreciation and amortization	5,6,7	98,311	-
Interest expense		8,311	-
Share-based payment expense	9	731,385	-
Accretion on lease liabilities	7	9,727	-
		<u>(936,652)</u>	<u>(254,235)</u>
Net changes in non-cash working capital items	11	<u>(52,941)</u>	<u>24,741</u>
Net cash used in operating activities		<u>(989,593)</u>	<u>(229,494)</u>
Financing activities			
Repayment of long-term debt		(33,449)	-
Exercise of warrants		163,260	-
Proceeds from share issuance	9	27,327,975	27,840
Lease payments	7	(22,575)	-
Net cash provided by financing activities		<u>27,435,211</u>	<u>27,840</u>
Investing activities			
Cash paid in business combination less cash acquired	4	(2,003,901)	-
Purchases of property and equipment	5	(6,890)	-
Net cash used in investing activities		<u>(2,010,791)</u>	<u>-</u>
Net change in cash during the period		<u>24,434,827</u>	<u>(201,654)</u>
Cash			
Beginning of period		\$ <u>2,241,761</u>	<u>2,733,379</u>
End of period		\$ <u>26,676,588</u>	<u>2,531,725</u>

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

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)
(unaudited)

1. Nature of operations

PharmaCorp Rx Inc. (the "Company") formerly known as Proton Capital Corp. ("Proton") was incorporated on September 1, 2021 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta).

PharmaCorp was initially classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") effective September 1, 2021, until July 22, 2024 when it became a reporting issuer and legally changed its name to PharmaCorp Rx Inc.

The head office and registered office of the Company is located at Suite #203, 303 Wellman Lane, Saskatoon, Saskatchewan, S7T 0J1.

Pursuant to a final prospectus dated April 1, 2022, PharmaCorp completed an initial public offering ("IPO") of common shares ("Common Shares"). The IPO closed on May 16, 2022 with 20,000,000 Common Shares being issued at a price of \$0.10 per Common Share. PharmaCorp's Common Shares commenced trading on the Exchange on May 16, 2022 under the symbol PCRX.V.

On April 20, 2023, PharmaCorp announced the signing of a Letter of Intent ("LOI") with PharmaChoice Canada Inc. ("PharmaChoice Canada"), a Canadian corporation, that operates in the pharmacy industry. The LOI contemplates terms and conditions subject to: (i) the negotiation and finalization of definitive agreements between the parties and (ii) the acquisition and operation by PharmaCorp of an independently owned PharmaChoice Canada brand pharmacy or pharmacies pursuant to the terms of the Definitive Agreements (as defined in the LOI), both of which together constitute the "Qualifying Transaction" of PharmaCorp pursuant to the policies of the Exchange. On August 31, 2023, definitive agreements in relation to a strategic alliance (the "Strategic Alliance Agreement") with PharmaChoice Canada were executed.

As a CPC, PharmaCorp's principal activities were focused on identifying and acquiring a private operating business to become its Qualifying Transaction, in order to become a reporting issuer. When PharmaCorp entered into the Strategic Alliance Agreement with PharmaChoice Canada, PharmaCorp's principal business activity were focused towards seeking to identify and evaluate assets or businesses in the pharmacy industry with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of a right-of-first-refusal option to purchase of PharmaChoice branded stores or by any concomitant transaction in the pharmacy market in Canada.

On October 10, 2023, PharmaCorp engaged iA Private Wealth Inc. for a brokered public offering of up to 100,000,000 common shares in the capital of the Corporation at a price of \$0.40 per Common Share, for gross proceeds of up to \$40,000,000 (the "Offering"). The Offering was conducted in connection with PharmaCorp's proposed "Qualifying Transaction" within the meaning of TSXV Policy 2.4 – Capital Pool Companies as previously announced.

On June 5, 2024, PharmaCorp completed its Qualifying Transaction with the acquisition of Saskatoon Family Pharmacy Ltd. (see Note 4) and closed the first tranche of the Offering whereby the Company issued 51,994,146 common shares at a price of \$0.40 per share for gross proceeds of \$20,797,658.

On July 18, 2024, PharmaCorp closed the second and final tranche of the Offering whereby the Company issued 20,318,354 common shares at a price of \$0.40 per share for gross proceeds of \$8,127,342.

With the two tranches of Offering above, the Company issued a total of 72,312,500 common shares at a price of \$0.40 per share for total gross proceeds of \$28,925,000, before deducting the agent's fees and estimated offering expenses.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)
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For the three and nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)
(unaudited)

2. Basis of presentation

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2024 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

These unaudited condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on November 26, 2024.

(b) Basis of measurement

These unaudited condensed consolidated interim financial statements are prepared on a going concern basis, under the historical cost basis.

(c) Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

These condensed consolidated interim financial statements include the accounts of the Company and the following entity, which is a subsidiary of the Company:

Subsidiary	Jurisdiction of incorporation	Functional currency	Proportion of ownership interest held by the Company	
			September 30, 2024	September 30, 2023
Saskatoon Family Pharmacy Ltd.	Canada	CAD	75%	N/A
Western Canada #1	Canada	CAD	90%	N/A

All intercompany transactions and balances with subsidiaries have been eliminated.

There are no restrictions on the Company’s ability to access or use the assets of its subsidiaries or settle their liabilities.

Non-controlling interests (“NCI”) are initially measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

When the parent loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)
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3. Material accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as the applied in the Company's financial statements as at and for the year ended December 31, 2023.

(a) Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the acquirer. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognized in the consolidated statements of income and comprehensive income immediately. Transaction costs are expensed as incurred, except if related to the issuance of debt or equity securities. See Note 3(c) on the calculation of goodwill recorded in a business combination.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the consolidated statements of income and comprehensive income.

(b) Intangible assets

Intangible assets include intangible assets acquired as part of business combinations and other business transactions. Finite life intangible assets that have arisen through acquisitions are amortized over their estimated useful lives as follows:

Customer list	10% declining balance method
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The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

When there is no foreseeable limit on the period of time over which an intangible asset is expected to contribute to the cash flows of the Company, an intangible asset is determined to have an indefinite life.

(c) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 3(g)).

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average-cost basis, and net realizable value is determined using current estimated selling prices less selling costs. The estimated selling price takes into account management's best estimate of the most probable set of economic conditions.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024 and 2023

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3. Material accounting policies (continued)

(e) Revenue recognition

Sales comprises revenue earned from retail sale of: (a) prescription medication; and (b) sale of over-the-counter medication and general merchandise. Revenue is recognized at the point in time when control over the goods has transferred to the customer, either at the time of pick-up or delivery to the customer. Revenue is measured at the amount of consideration the Company expects to be entitled to, net of sales tax, discounts and estimated returns to the extent that it is highly probable that a significant reversal will not occur.

(f) Property and equipment

Property and equipment are recorded at cost. Amortization is based on their estimated useful lives.

Furniture and fixtures	20% on the declining balance method
Computer equipment	30% on the declining balance method
Leasehold improvements	Straight-line basis over the term of the lease

(g) Impairment of non-financial assets

Non-financial assets (property and equipment, and right-of-use assets) are tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be fully recoverable. An impairment loss is recorded in the period in which it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that have previously suffered impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

(h) Leases

At inception of a contract, the Company determines whether a contract is or contains a lease. A contract is, or contains, a lease, if the contract gives the Company the right to control the use of an identified asset for the duration of the lease term in exchange for consideration. The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the lessor makes the leased asset available for use by the Company. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimated decommissioning costs, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The measurement of lease liabilities includes the fixed (and in-substance fixed) payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Variable lease payments are recognized as an expense as they are incurred. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in the lease term, change in the future lease payments resulting from a change in an index or rate, or a change in the assessment of an option to purchase the underlying asset.

Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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3. Material accounting policies (continued)

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(i) Use of judgements and estimates

The preparation of unaudited interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are:

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method. Refer to Note 4 for further information.

Inventory valuation

Inventory is carried at the lower of cost and net realizable value, which requires the Company to utilize estimates related to fluctuations in shrinkage, future retail prices, seasonality and costs necessary to sell the inventory. At each reporting date, the Company reviews its inventory and uses historical trends to determine a reserve for future

markdowns that will take the net realizable value of inventory below cost, including reducing inventory for estimated shrinkage that has occurred between physical inventory counts and the reporting date.

Taxes

The Company applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to interpretations of complex tax regulations, changes in tax laws, and the amounts and timing of future taxable income. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded.

(j) New accounting standards

The following new amendment to IAS 1 Presentation of Financial Statements has been adopted since the release of the Company's financial statements for the year ended December 31, 2023.

PharmaCorp Rx Inc. (Formerly Proton Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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3. Material accounting policies (continued)

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right
- to defer settlement of a liability make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application was permitted. The adoption of this amendment did not have any impact on the Company's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which is intended to give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions. It will affect all companies using IFRS Accounting Standards. IFRS 18 introduces new sets of requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies through:

- Improved comparability in the statement of profit or loss or income statement
- Enhanced transparency of management-defined performance measures; and
- More useful grouping of information in the financial statements.

IFRS 18 also requires companies to provide more transparency about operating expenses, helping investors to find and understand the information they need. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, but companies can apply it earlier. IFRS 18 replaces IAS 1. It carries forward many requirements from IAS 1 unchanged. The Company will assess the impact of adoption of IFRS 18 on its financial statements.

4. Business combinations

Acquisition of Saskatoon Family Pharmacy Ltd.

On June 5, 2024, PharmaCorp acquired a 75% interest in the issued and outstanding common shares of Saskatoon Family Pharmacy Ltd. ("SFP").

SFP is a pharmacy that commenced operations in 2014. SFP offers prescription drug and custom compounding specialization services, weight loss and lifestyle management solutions, including health and wellness products and common convenience and confectionary product to its customers.

The consideration paid consisted of 2,730,075 shares with a total fair value of \$1,092,030. The purchase price was subject to certain adjustments which included a net asset value adjustment and an adjustment based on the repayment of the Long Term Debt (See Note 8), before the acquisition date. In addition, a contingent consideration was included, that made the SFP's selling shareholders eligible to receive an earnout, on a *pro rata* basis, payable in cash or shares in PharmaCorp, on the basis of the normalized EBITDA exceeded the 2023 normalized EBITDA for the one (1) year period beginning September 1, 2023 and ending August 31, 2024. The contingent consideration has been provisionally estimated at \$nil at September 30, 2024.

Non-controlling interests were estimated at \$153,905 at the date of acquisition, based on their proportionate interest in the recognized amounts of the assets and liabilities of SFP.

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4. Business combinations (continued)

Due to the complexity associated with the valuation process and short period of time between the acquisition date and the period end, the identification and measurement of the assets acquired, liabilities assumed and the measurement of consideration is provisional and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisition no later than one year from the date of the respective acquisition date and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

A provisional estimate of the consideration paid and net assets acquired is as follows:

Cash	\$	80,213
Accounts receivable		53,629
Goods and Services Tax ("GST") receivable		4,151
Inventory		185,609
Prepaid expenses and deposits		35,821
Property and equipment		330,708
Right of use assets (note 7)		472,841
Intangible assets- customer lists (note 6)		882,000
Accounts payable and accruals		(264,462)
Current taxes payable		(7,601)
Long-term debt (note 8)		(437,608)
Lease liabilities (note 7)		(472,841)
Deferred tax liability		(246,839)
Total identifiable net assets acquired	\$	<u>615,621</u>
Non-controlling interests		(153,905)
Goodwill arising on acquisition		630,314
Consideration transferred	\$	<u>1,092,030</u>
Consideration		
Shares	\$	<u>1,092,030</u>
	\$	<u>1,092,030</u>

Acquisition of Western Canada #1

On August 30, 2024, PharmaCorp acquired a 90% interest in a pharmacy located in Western Canada (the "Acquired Pharmacy"). The aggregate purchase price of \$2,207,170 for the 90% interest, paid in cash. The purchase price is subject to certain adjustments which includes a net asset value adjustment.

Non-controlling interests were estimated at \$100,324 at the date of acquisition, based on their proportionate interest in the recognized amounts of the assets and liabilities of the Acquired Pharmacy.

Due to the complexity associated with the valuation process and short period of time between the acquisition date and the period end, the identification and measurement of the assets acquired, liabilities assumed and the measurement of consideration is provisional and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisition no later than one year from the date of the respective acquisition date and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

A provisional estimate of the consideration paid and net assets acquired is as follows:

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4. Business combinations (continued)

Cash	\$	123,056
Accounts receivable		61,626
Current taxes receivable		14,387
Inventory		141,423
Property and equipment		41,613
Right of use assets (note 7)		124,183
Intangible assets- customer lists (note 6)		1,099,000
Accounts payable and accruals		(186,628)
Lease liabilities (note 7)		(124,183)
Deferred tax liability		(291,235)
Total identifiable net assets acquired	\$	<u>1,003,242</u>
Non-controlling interests		(100,324)
Goodwill arising on acquisition		1,304,252
Consideration transferred	\$	<u>2,207,170</u>
Consideration		
Cash	\$	<u>2,207,170</u>
	\$	<u>2,207,170</u>

5. Property and equipment

	<u>Computer equipment</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost				
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -
Additions	6,890	-	-	6,890
Acquired in a business combination (Note 4)	<u>8,977</u>	<u>54,277</u>	<u>309,067</u>	<u>372,321</u>
Balance at September 30, 2024	<u>15,867</u>	<u>54,277</u>	<u>309,067</u>	<u>379,211</u>
Accumulated Depreciation				
Balance at December 31, 2023	-	-	-	-
Depreciation	2,036	3,242	29,038	34,316
Balance at September 30, 2024	<u>\$ 2,036</u>	<u>\$ 3,242</u>	<u>\$ 29,038</u>	<u>\$ 34,316</u>
Net book value at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net book value at September 30, 2024	<u>\$ 13,831</u>	<u>\$ 51,035</u>	<u>\$ 280,029</u>	<u>\$ 344,895</u>

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6. Goodwill and intangible assets

	<u>Customer list</u>	<u>Goodwill</u>	<u>Total</u>
Gross carrying amount			
Balance at December 31, 2023	\$ -	\$ -	\$ -
Acquired in a business combination (Note 4)	1,981,000	1,933,887	3,914,887
Balance at September 30, 2024	<u>\$ 1,981,000</u>	<u>\$ 1,933,887</u>	<u>\$ 3,914,887</u>
Amortization			
Balance at December 31, 2023	\$ -	\$ -	\$ -
Amortization	38,558	-	38,558
Balance at September 30, 2024	<u>\$ 38,558</u>	<u>\$ -</u>	<u>\$ 38,558</u>
Balance at December 31, 2023	\$ -	\$ -	\$ -
Balance at September 30, 2024	<u>\$ 1,942,442</u>	<u>\$ 1,933,887</u>	<u>\$ 3,876,329</u>

7. Leasing activities

Right-of-Use Assets	<u>Building</u>
Balance, December 31, 2023	\$ -
Acquired in a business combination (Note 4)	590,112
Depreciation	(25,437)
Balance at September 30, 2024	<u>\$ 564,675</u>

Lease Liability	<u>Building</u>
Balance, December 31, 2023	-
Acquired in a business combination (Note 4)	590,112
Accretion	9,727
Lease payments	(22,575)
Balance at September 30, 2024	<u>\$ 577,264</u>

Maturity analysis – contractual undiscounted cash flows as at September 30, 2024:

Less than one year	\$ 105,006
Later than one but less than two years	105,006
More than two years	485,626
Total undiscounted lease obligations at September 30, 2024	<u>\$ 695,639</u>

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8. Long-term debt

The Company acquired long-term debt of \$437,608 as a result of the acquisition of SFP (see note 4).

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
BMO term loan, payable in monthly fixed principal payments of \$6,284, plus interest at 5.83% due September 2030.	\$ 412,471	\$ -
Less: Current portion	<u>(75,412)</u>	<u>-</u>
	<u>\$ 337,059</u>	<u>\$ -</u>

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows as at September 30, 2024:

Principal repayment	
2024	\$ 75,412
2025	75,412
2026	75,412
2027	75,412
2028	75,412
Thereafter	<u>35,412</u>
	<u>\$ 412,472</u>

9. Share capital

a) Authorized, unlimited number

Unlimited number of common shares and preferred shares which are issuable in series.

b) Issued and outstanding, common shares

	Number of Shares	Amount
Balance, December 31, 2023	40,278,400 \$	2,798,865
Warrants exercised at \$0.10 per share	1,632,600	260,473
Shares issued in connection with SFP acquisition	2,730,075	1,092,030
Tranche 1 & 2 funds - net of transaction costs	<u>72,312,500</u>	<u>27,327,975</u>
Balance, September 30, 2024	<u>116,953,575 \$</u>	<u>31,479,343</u>

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9. Share capital (continued)

c) Options

The Company has adopted an incentive stock option plan (the "Plan") which provides that the Board of Directors of The Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares as at the date of grant of any such option, and that the exercise period does not exceed 10 years from the date of grant.

The number of Common Shares issuable to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares of the Company as at the date of grant of such option. The number of Common Shares issuable at any given time to all technical consultants in aggregate will not exceed 2% of the issued and outstanding Common Shares of the Company as at the date of grant of such option.

On July 18, 2024, the Company granted 3,850,000 options to directors and officers. The option price under each option granted must be no less than the discount market price as defined by the Exchange. The term of the options are 10 years and the directors determine the vesting period.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2023	4,000,000	\$ 0.10
July 18 Issuance	3,850,000	\$ 0.40
Balance outstanding, December 31, 2023 and September 30, 2024	7,850,000	\$ 0.25

For the three and nine months ended September 30, 2024, grant date fair value estimates were based on the following variables:

	Options Granted
Grant date share price	\$ 0.21
Risk-free interest rate	3.34%
Expected life of options	10 years
Expected annualized volatility	110%
Expected dividend yield	nil
Black-Scholes value/option	\$ 0.19

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9. Share Capital (continued)

d) Warrants

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Years to Expiry
Balance, December 31, 2023	1,721,600	\$ 0.10	0.13
Granted	-	-	-
Exercised	(1,632,600)	0.10	-
Expired	(89,000)	0.10	-
Balance, September 30, 2024	-	\$ -	-

e) Earnings per share

The following is a breakdown of the EPS calculation:

	Three months-ended September 30, 2024	Nine-months ended September 30, 2024
Net loss from continuing operations attributable to owners of the parent	\$ (975,861)	(1,772,145)
Weighted average number of shares – basic	113,157,839	69,786,691
Loss per share - basic	\$ (0.01)	(0.03)
	Three months-ended September 30, 2023	Nine-months ended September 30, 2023
Net loss from continuing operations attributable to owners of the parent	\$ (100,863)	(254,235)
Weighted average number of shares – basic	40,278,400	40,211,481
Loss per share - basic	\$ (0.00)	(0.01)

10. Revenues

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Prescription medication	\$ 1,048,035	\$ -	1,329,816	\$ -
Over-the-counter medication and general merchandise	56,388	-	66,022	-
Total	\$ 1,104,423	\$ -	1,395,839	\$ -

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11. Changes in non-cash working capital items

	Nine months ended	
	September 30, 2024	September 30, 2023
Accounts receivable	\$ (107,261)	\$ -
Deferred financing costs	78,750	-
Goods and Services Tax ("GST") receivable	18,310	-
Inventory	(2,336)	-
Prepaid expenses and deposits	(27,686)	-
Accounts payable and accrued liabilities	(5,118)	24,741
Current taxes payable	(7,601)	-
Total	\$ (52,941)	\$ 24,741

12. Related party transactions

During the three and nine months ended September 30, 2024, the Company received \$104,137 from PharmaChoice (2023 - \$nil) which includes rebates and reimbursements, less membership fees and other expenses.

During the three and nine months ended September 30, 2024, the Company incurred director and committee fees of \$7,250 (2023 - \$nil). No compensation was paid to key management personnel during the three and nine months ended September 30, 2024, and 2023.

The amounts owed by the Company to related parties as at September 30, 2024 is \$nil (December 31, 2023 - \$nil).

13. Capital management

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to complete future acquisitions and sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end apart from the requirements of the Exchange.

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14. Financial instruments

Fair values measurement

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The Company's financial instruments include cash, accounts receivable, due to related parties, accounts payable and accruals and long-term term. All financial assets and liabilities of the Company are carried at amortized cost which approximates fair value due to their short-term nature.

Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and commodity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

i) Foreign exchange risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

ii) Interest rate risk

The debt (Note 8) carries fixed rate of interest therefore there is no interest rate risk on this loan.

iii) Commodity risk

The Company is not exposed to commodity risk.

Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss. Accounts receivable are primarily generated by the Company's subsidiaries, which arise with respect to prescription sales billed to insurance companies and third-party drug plans and, as a result, collection risk is low. There is no concentration of balances with debtors in the remaining accounts receivable. The Company does not consider its credit risk to be material. The Company does not record an expected credit loss ("ECL") as their have been no historical issues with collections.

The table below provides an analysis of the age of accounts receivable from invoice date, which are not considered impaired.

	September 30, 2024	December 31, 2023
0-30 days	\$ 221,409	\$ -
31-60 days	798	-
Greater than 61 days	309	-
Gross receivables	<u>222,516</u>	-
Less allowance for expected credit losses	-	-
	<u>\$ 222,516</u>	<u>\$ -</u>

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14. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities. The Company's accounts payable and accrued liabilities are due in 30 days. Most of the liabilities noted below were assumed in the Company's acquisitions. The Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2024:

September 30, 2024	Less than 1 year	1 year to 3 years	3 years to 5 years	Greater than 5 years	Total
Accounts payable and accruals	\$ 492,157	\$ -	\$ -	\$ -	\$ 492,157
Long-term debt (undiscounted)	75,412	150,824	150,824	35,412	412,472
Lease (undiscounted)	105,006	214,977	223,252	152,403	695,639
Total	\$ 672,575	\$ 365,801	\$ 374,076	\$ 187,815	1,600,268

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15. Segment reporting

A segment is a component of the Company for which separate discrete financial information is available for evaluation by the chief operating decision makers of the Company.

Previous to June 5, 2024, the Company had one operating segment being the Company as a whole. As of June 5, 2024, the Company operates one operating segment which pertains to its non-wholly owned pharmacies. While the 'corporate' financial information is disclosed separately in the table below, it does not represent an operating segment. Instead, it is provided to facilitate reconciliation of the financial information related to the non-wholly owned pharmacies with the Company's total financial information.

	Three months-ended September 30, 2024		
	Non-wholly owned pharmacies	Corporate	Total
Sales	\$ 1,104,423	\$ -	\$ 1,104,423
Cost of sales	688,999	-	688,999
Gross profit	415,424	-	415,424
Operating expenses			
Depreciation	75,367	516	75,883
General and Administrative	58,454	46,903	105,357
Share-based payment expense	-	731,385	731,385
Professional fees	26,067	228,122	254,188
Interest on long term debt	6,223	-	6,223
Salaries, wages and benefits	207,393	156,641	364,034
Income (Loss) from operations	41,920	(1,163,566)	(1,121,646)
Other income (expense)			
Interest expense	(7,430)	-	(7,430)
Rental Revenue	1,200	-	1,200
Interest income	11	151,071	151,083
	(6,218)	151,071	144,853
Net income (loss) before income taxes	35,701	(1,012,494)	(976,793)
Current income tax expense	9,098	-	9,098
Deferred tax recovery	(8,270)	-	(8,270)
Net income (loss) and comprehensive inc	\$ 34,873	\$ (1,012,494)	\$ (977,621)

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15. Segment reporting (continued)

	Nine months-ended September 30, 2024		
	Non-wholly owned pharmacies	Corporate	Total
Sales	\$ 1,395,839	\$ -	\$ 1,395,839
Cost of sales	881,751	-	881,751
Gross profit	514,088	-	514,088
Operating expenses			
Depreciation	96,761	1,550	98,311
General and Administrative	79,950	88,279	168,229
Share-based payment expense	-	731,385	731,385
Professional fees	26,144	987,800	1,013,944
Interest on long term debt	8,311	-	8,311
Salaries, wages and benefits	251,260	197,459	448,719
Income (Loss) from operations	51,662	(2,006,473)	(1,954,811)
Other income (expense)			
Interest expense	(9,727)	-	(9,727)
Rental Revenue	1,200	-	1,200
Interest income	11	189,738	189,749
	(8,515)	189,738	181,222
Net income (loss) before income taxes	43,146	(1,816,735)	(1,773,589)
Current income tax expense	10,797	-	10,797
Deferred tax recovery	(10,218)	-	(10,218)
Net income (loss) and comprehensive inc	\$ 42,567	\$ (1,816,735)	\$ (1,774,168)

	As at September 30, 2024		
	Non-wholly owned pharmacies	Corporate	Total
Total assets	\$ 2,233,869	\$ 29,845,142	\$ 32,079,010
Total liabilities	1,978,723	31,025	2,009,748

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16. Subsequent events

On September 25, 2024, the Company announced that it has entered into an agreement to acquire a 100% interest in a pharmacy located in Atlantic Canada. The aggregate purchase price for the 100% interest is \$15,377,013 and will be funded from cash and shares.

On October 2, 2024, the above acquisition was completed subject to satisfaction of customary closing conditions.