

Quantum Biopharma Ltd. (formerly, FSD Pharma Inc.)
Consolidated financial statements

For the years ended December 31, 2024, 2023, and 2022
[expressed in United States dollars]



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Quantum Biopharma Ltd. (formerly, FSD Pharma Inc.)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Quantum Biopharma Ltd. (formerly, FSD Pharma Inc.) (the "Company") as of December 31, 2024 and 2023 and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2019
Mississauga, Canada
March 27, 2025

MNP LLP

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QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[expressed in United States dollars]

| As at | Notes | December 31, 2024 \$ | December 31, 2023 \$ |
|---|-------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 5,995,872 | 2,757,040 |
| Other receivables | 4 | 374,678 | 228,764 |
| Prepaid expenses and deposits | 5 | 69,036 | 155,413 |
| Finance receivables, net | 6 | 3,432,340 | 7,187,988 |
| Investments | 7 | 1,202,349 | 756,100 |
| Inventory | 8 | 117,242 | — |
| Digital assets | 9 | 861,230 | — |
| | | 12,052,747 | 11,085,305 |
| Non-current assets | | | |
| Equipment, net | | 76,894 | 87,583 |
| Long-term investments | 7 | 2,224 | 6,049 |
| Right-of-use asset, net | | 53,488 | 32,838 |
| Finance receivables, net | 6 | — | 907,366 |
| Intangible assets, net | 10 | 4,933,871 | 5,355,687 |
| Total assets | | 17,119,224 | 17,474,828 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11,22 | 4,362,068 | 4,195,029 |
| Lease obligations | | 53,780 | 38,650 |
| Warrants liability | 12 | 212,002 | 31,338 |
| Derivative liabilities | 14 | 280,000 | — |
| Deferred income | 21 | 1,000,000 | — |
| Notes payable | 13 | 619,029 | 300,549 |
| Convertible debentures | 14 | 152,113 | — |
| | | 6,678,992 | 4,565,566 |
| Total liabilities | | 6,678,992 | 4,565,566 |
| SHAREHOLDERS' EQUITY | | | |
| Class A Multiple Voting Share capital | 15 | 151,701 | 151,622 |
| Class B Subordinate Voting Share capital | 15 | 150,318,624 | 137,626,863 |
| Warrants | 15 | 1,997,759 | 2,723,356 |
| Contributed surplus | | 31,072,543 | 30,225,741 |
| Foreign exchange translation reserve | | 50,795 | 417,341 |
| Accumulated deficit | | (172,110,884) | (157,908,160) |
| Equity attributable to shareholders of the Company | | 11,480,538 | 13,236,763 |
| Non-controlling interests | 17 | (1,040,306) | (327,501) |
| | | 10,440,232 | 12,909,262 |
| Total liabilities and shareholders' equity | | 17,119,224 | 17,474,828 |
| Commitments and contingencies | 21 | | |
| Subsequent events | 27 | | |

On behalf of the Board:

"Signed"
Director - Zeeshan Saeed

"Signed"
Director - Eric Hoskins

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

QUANTUM BIOPHARMA LTD. (formerly, FS PHARMA INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
[expressed in United States dollar, except number of shares]

| For the years ended December 31, | Notes | 2024 \$ | 2023 \$ | 2022 \$ |
|--|--------|---------------------|--------------|--------------|
| Expenses | | | | |
| General and administrative | 19 | 9,410,097 | 9,032,724 | 14,450,094 |
| External research and development fees | | 6,083,378 | 3,859,178 | 6,910,844 |
| Share-based payments | 16 | 152,214 | 3,835,475 | 1,531,258 |
| Depreciation and amortization | 10 | 490,571 | 2,506,316 | 4,537,415 |
| Impairment loss | 10 | — | 4,555,805 | — |
| Total operating expenses | | 16,136,260 | 23,789,498 | 27,429,611 |
| Loss from operations | | (16,136,260) | (23,789,498) | (27,429,611) |
| Interest income | 20 | (572,891) | (786,363) | (367,735) |
| Other income | | (3,989) | — | — |
| Finance expense, net | | 33,017 | 299 | 48,822 |
| Accretion expense | 14 | 14,560 | — | — |
| Gain on settlement of debt | | (732,417) | — | — |
| Gain on measurement of financial liability | | — | (4,939,015) | (119,453) |
| Gain on change in fair value of derivative liabilities and warrant liability | 12, 14 | (104,483) | (212,256) | (521,809) |
| Unrealized loss on change in fair value of digital assets | 9 | 141,770 | — | — |
| Loss on changes in fair value of investments | 7 | 3,702 | 378,425 | 234,226 |
| Net loss from operations | | (14,915,529) | (18,230,588) | (26,703,662) |
| Net income from discontinued operations | 24 | — | — | 3,096,834 |
| Net loss | | (14,915,529) | (18,230,588) | (23,606,828) |
| Other comprehensive loss | | | | |
| Items that may be subsequently reclassified to loss: | | | | |
| Exchange gain (loss) on translation of foreign operations | | (366,546) | (235,260) | 412,989 |
| Comprehensive loss | | (15,282,075) | (18,465,848) | (23,193,839) |
| Net loss attributable to: | | | | |
| Equity owners of the Company | | (14,202,724) | (17,902,179) | (23,606,828) |
| Non-controlling interests | 17 | (712,805) | (328,409) | — |
| | | (14,915,529) | (18,230,588) | (23,606,828) |
| Net (loss) per share | | | | |
| Basic and diluted - continuing operations | 18 | \$ (13.12) | \$ (29.93) | \$ (44.81) |
| Basic and diluted - discontinued operations | | \$ - | \$ - | \$ 5.20 |
| Weighted average number of shares outstanding | | | | |
| – basic and diluted | 18 | 1,136,922 | 609,056 | 595,883 |

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

QUANTUM BIOPHARMA LTD. (formerly, FS PHARMA INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2024, 2023, and 2022
[expressed in United States dollars, except number of shares]

| | Class A shares | | Class B shares | | Warrants | | Contributed surplus | Non-controlling interests | Foreign exchange translation reserve | Accumulated deficit | Total |
|--|----------------|----------------|------------------|--------------------|----------------|------------------|---------------------|---------------------------|--------------------------------------|----------------------|-------------------|
| | # | \$ | # | \$ | # | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2021 | 2 | 151,588 | 622,319 | 152,173,089 | 107,028 | 5,137,417 | 22,583,649 | — | 239,612 | (126,154,317) | 54,131,038 |
| Share repurchase [note 15] | — | — | (30,766) | (7,523,117) | — | — | — | — | — | 5,596,880 | (1,926,237) |
| Share-based payments [note 16] | — | — | 2,433 | 169,500 | — | — | 1,361,758 | — | — | — | 1,531,258 |
| Share cancellation [note 15] | — | — | (7,768) | (1,752,090) | — | — | 1,752,090 | — | — | — | — |
| Warrants expired [note 15] | — | — | — | — | (7,303) | (2,995,017) | 2,995,017 | — | — | — | — |
| PSUs converted to shares [note 15,16] | — | — | 6,154 | 191,590 | — | — | (191,590) | — | — | — | — |
| Comprehensive loss for the year | — | — | — | — | — | — | — | — | 412,989 | (23,606,828) | (23,193,839) |
| Balance, December 31, 2022 | 2 | 151,588 | 592,372 | 143,258,972 | 99,725 | 2,142,400 | 28,500,924 | — | 652,601 | (144,164,265) | 30,542,220 |
| Initial recognition of non-controlling interests | — | — | — | — | — | — | — | (24,467) | — | (40,583) | (65,050) |
| Plan of arrangement [note 15] | — | 34 | 1 | — | — | — | — | 8,673 | — | (8,673) | 34 |
| Share repurchase [note 15] | — | — | (29,303) | (7,165,356) | — | — | — | — | — | 4,207,540 | (2,957,816) |
| Share-based payments [note 16] | — | — | 555 | 36,000 | — | — | 2,410,010 | 16,702 | — | — | 2,462,712 |
| Share options exercised [note 15] | — | — | 323 | 33,247 | — | — | (13,000) | — | — | — | 20,247 |
| PSUs converted to shares [note 15,16] | — | — | 41,848 | 1,464,000 | — | — | (1,464,000) | — | — | — | — |
| Warrants issued [note 15] | — | — | — | — | 61,154 | 1,372,763 | — | — | — | — | 1,372,763 |
| Warrants expired [note 15] | — | — | — | — | (2,047) | (791,807) | 791,807 | — | — | — | — |
| Comprehensive loss for the year | — | — | — | — | — | — | — | (328,409) | (235,260) | (17,902,179) | (18,465,848) |
| Balance, December 31, 2023 | 2 | 151,622 | 605,796 | 137,626,863 | 158,832 | 2,723,356 | 30,225,741 | (327,501) | 417,341 | (157,908,160) | 12,909,262 |
| Shares issued [note 15] | 10 | 79 | 1,384,783 | 10,670,539 | — | — | — | — | — | — | 10,670,618 |
| Shares for debt [note 15,16] | — | — | 301,423 | 1,990,213 | — | — | — | — | — | — | 1,990,213 |
| Share-based payments [note 16] | — | — | — | — | — | — | 152,214 | — | — | — | 152,214 |
| Warrants issued [note 14, 15] | — | — | — | — | 80,000 | — | — | — | — | — | — |
| Warrants expired [note 15] | — | — | — | — | (20,770) | (286,189) | 286,189 | — | — | — | — |
| Warrants cancelled [note 15] | — | — | — | — | (7,692) | (439,408) | 439,408 | — | — | — | — |
| RSU converted to shares [note 15,16] | — | — | 7,500 | 31,009 | — | — | (31,009) | — | — | — | — |
| Comprehensive loss for the year | — | — | — | — | — | — | — | (712,805) | (366,546) | (14,202,724) | (15,282,075) |
| Balance, December 31, 2024 | 12 | 151,701 | 2,299,502 | 150,318,624 | 210,370 | 1,997,759 | 31,072,543 | (1,040,306) | 50,795 | (172,110,884) | 10,440,232 |

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

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS

For the years ended December 31, 2024, 2023 and 2022
[expressed in United States dollar]

| | 2024 | 2023 | 2022 |
|---|--------------------|---------------------|---------------------|
| | \$ | \$ | \$ |
| Operating activities | | | |
| Net loss from continuing operations | (14,915,529) | (18,230,588) | (26,703,662) |
| Add (deduct) items not affecting cash | | | |
| Depreciation and amortization | 490,571 | 2,506,316 | 4,534,586 |
| Interest expense | 9,343 | 24,288 | 63,411 |
| Accretion expense | 14,560 | — | — |
| Share-based payments | 152,214 | 3,835,475 | 1,531,258 |
| Change in fair value of investments | 3,702 | 378,425 | 234,226 |
| Change in fair value of derivative liabilities | (104,483) | (212,256) | (521,809) |
| Unrealized foreign exchange (gain) loss | (1,692,842) | (383,514) | 934,100 |
| Unrealized loss on change in fair value of digital assets | 141,770 | — | — |
| Gain on settlement of debt | (732,417) | — | — |
| Gain on measurement of financial liability | — | (4,939,015) | (119,453) |
| Impairment loss | — | 4,555,805 | — |
| Gain on net investment in lease | — | — | (22,619) |
| Changes in non-cash working capital balances | | | |
| Finance receivables | 4,663,014 | (663,698) | (7,431,656) |
| Other receivables | (145,914) | 159,585 | 215,175 |
| Prepaid expenses and deposits | 86,377 | 316,724 | 795,930 |
| Note receivable | — | (224,610) | — |
| Inventory | (117,242) | — | — |
| Deferred income | 1,000,000 | — | — |
| Trade and other payables | 4,270,397 | 2,049,799 | (699,778) |
| Cash used in continuing operating activities | (6,876,479) | (10,827,264) | (27,190,291) |
| Cash used in discontinued operating activities | — | — | (1,142,982) |
| Cash used in operating activities | (6,876,479) | (10,827,264) | (28,333,273) |
| Investing activities | | | |
| Redemption of investments | 6,189,077 | — | — |
| Purchase of investments | (6,689,636) | (744,500) | (401,612) |
| Purchase of equipment | — | — | (113,958) |
| Additions to intangible assets | — | — | (250,000) |
| Net cash upon control of subsidiary | — | 31,783 | — |
| Purchases of digital assets | (1,003,000) | — | — |
| Proceeds from sale of investments | — | 443,138 | 158,036 |
| Cash (used in) continuing investing activities | (1,503,559) | (269,579) | (607,534) |
| Cash provided by discontinued investing activities | — | — | 12,730,942 |
| Cash (used in) provided by investing activities | (1,503,559) | (269,579) | 12,123,408 |
| Financing activities | | | |
| Share repurchase | — | (2,957,816) | (1,926,237) |
| Proceeds from issuance of shares, net | 10,670,618 | 34 | — |
| Proceeds from convertible debentures | 702,700 | — | — |
| Payment of lease obligation | (63,586) | (189,054) | (143,071) |
| Share options exercised | — | 20,247 | — |
| Proceeds from loans | 309,138 | — | — |
| Cash provided by (used in) continuing financing activities | 11,618,870 | (3,126,589) | (2,069,308) |
| Cash provided by (used in) financing activities | 11,618,870 | (3,126,589) | (2,069,308) |
| Net increase (decrease) | 3,238,832 | (14,223,432) | (18,279,173) |
| Cash and cash equivalents, beginning of the year | 2,757,040 | 16,980,472 | 35,259,645 |
| Cash and cash equivalents, end of the year | 5,995,872 | 2,757,040 | 16,980,472 |
| Non-cash transactions | | | |
| Shares issued for debt | 1,990,213 | — | — |

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

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

1. Nature of business

Quantum BioPharma Ltd. (formerly, FSD Pharma Inc.) ("Quantum" or the "Company") is a biopharmaceutical company dedicated to building a portfolio of innovative assets and biotech solutions for the treatment of challenging neurodegenerative, inflammatory and metabolic disorders and alcohol misuse disorders with drug candidates in different stages of development. Through its wholly-owned subsidiary, Lucid Psycheceuticals Inc. ("Lucid"), Quantum is focused on the research and development of its lead compound, Lucid-MS (formerly Lucid-21-302) ("Lucid-MS"). Lucid-MS is a patented new chemical entity shown to prevent and reverse myelin degradation, the underlying mechanism of multiple sclerosis, in preclinical models. Quantum is also focused on the research and development of a treatment for alcohol misuse for application in hospitals and other medical practices. Quantum maintains a portfolio of strategic investments through its wholly-owned subsidiary, FSD Strategic Investments Inc., which represent loans secured by residential property.

The Company's registered office is located at 55 University Avenue, Suite 1003, Toronto, Ontario, M5J 2H7. On August 15, 2024, the Company consolidated its Class A Multiple Voting Shares and Class B Subordinate Voting Shares (each as defined hereinafter) on a 65:1 basis and changed its name to "Quantum BioPharma Ltd." with a new trading symbol "QNTM" on both NASDAQ and CSE.

On July 31, 2023, the Company entered into an exclusive intellectual property license agreement (the "License Agreement") with Celly Nutrition Corp. ("Celly"). The License Agreement provides Celly access to proprietary information for the purposes of consumer product development and marketing. The License Agreement grants Celly the rights to a proprietary formulation of natural ingredients, vitamins, and minerals to help with liver and brain function for the purposes of potentially quickly relieving from the effects of alcohol consumption, such as inebriation, and restoring normal lifestyle. The License Agreement also grants Celly rights to certain trademarks. In exchange, Quantum received 200,000,000 common shares in the capital of Celly following a 2:1 share-split. The Company also received an anti-dilution Warrant Certificate that entitles Quantum to purchase up to 25% of the common shares deemed outstanding less the 200,000,000 common shares issued under the License Agreement and from time to time as a result of any partial exercise under the anti-dilution Warrant Certificate. Quantum is also entitled to certain license fees and royalties under the License Agreement. Through the License Agreement, Quantum acquired 34.66% of Celly. On July 31, 2023, the Company and Celly entered into a loan agreement for gross proceeds of C\$1,000,000. The loan was funded on August 1, 2023, and accrues interest at a rate of 10% per annum. Interest is payable annually and the loan matures on July 31, 2026. On April 3, 2024, an amendment to the loan agreement was approved for additional gross proceeds of C\$300,000. In November 2023, through the Plan of Arrangement the Company distributed 45,712,529 of its 200,000,000 shares of Celly to its shareholders. The consolidated financial statements incorporate the assets and liabilities of Celly as of December 31, 2024, and the results of operations and cash flows for the years ended December 31, 2024, and 2023 [Note 2(c) and (viii)]. As of December 31, 2024, the Company had a 22.95% (December 31, 2023 - 26.15%) ownership interest in Celly through common shares held in Celly.

Subsidiaries

These consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. The Company has the following subsidiaries:

| Entity Name | Country | Ownership percentage as at December 31, 2024 | Ownership percentage as at December 31, 2023 | Ownership percentage as at December 31, 2022 |
|----------------------|---------|--|--|--|
| | | % | % | % |
| FSD Biosciences Inc. | USA | 100.00 | 100.00 | 100.00 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

| | | | | |
|----------------------------------|-----------|--------|--------|--------|
| Prismic Pharmaceuticals Inc. | USA | 100.00 | 100.00 | 100.00 |
| FV Pharma Inc. | Canada | 100.00 | 100.00 | 100.00 |
| Lucid Psycheceuticals Inc. | Canada | 100.00 | 100.00 | 100.00 |
| FSD Strategic Investments Inc. | Canada | 100.00 | 100.00 | 100.00 |
| FSD Pharma Australia Pty Ltd | Australia | 100.00 | 100.00 | 100.00 |
| Celly Nutrition Corp. | Canada | 22.95 | 26.15 | - |
| Huge Biopharma Australia Pty Ltd | Australia | 100.00 | - | - |

Non-controlling interests ("NCI") represent ownership interests in consolidated subsidiaries by parties that are not shareholders of the Company. They are shown as a component of total equity in the consolidated statements of financial position, and the share of income (loss) attributable to non-controlling interests is shown as a component of net income (loss) in the consolidated statements of loss and comprehensive loss. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

2. Basis of presentation

[a] Statement of compliance

These consolidated financial statements have been prepared by management in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors (the "Board") of the Company on March 24, 2025.

[b] Functional currency and presentation currency

The consolidated financial statements of each company within the consolidated group are measured using their functional currency, which is the currency of the primary economic environment in which an entity operates. These consolidated financial statements are presented in United States dollars ("USD"), which is the Company's functional and presentation currency for all periods presented. The Company's functional currency is the United States dollar and the functional currencies of its subsidiaries are as follows:

| | |
|----------------------------------|----------------------|
| FSD Biosciences Inc. | United States Dollar |
| Prismic Pharmaceuticals Inc. | United States Dollar |
| FV Pharma Inc. | Canadian Dollar |
| Lucid Psycheceuticals Inc. | Canadian Dollar |
| FSD Strategic Investments Inc. | Canadian Dollar |
| FSD Pharma Australia Pty Ltd | Australian Dollar |
| Celly Nutrition Corp. | Canadian Dollar |
| Huge Biopharma Australia Pty Ltd | Australian Dollar |

[c] Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following include items requiring critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

[i] Going concern

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which might cast significant doubt on the Company's ability to continue as a going concern is required in the notes to the consolidated financial statements. In management's judgement, such disclosure is not required. This judgement is dependent on management's expectations of future net cash flows, existing borrowing capacity and financial obligations in the next 12 months.

Although during the year ended December 31, 2024, the Company had a loss from operations and negative cash flows from operation activities, the Company was able to secure debt and equity financing to fulfill its operational needs. Based on management's expectations of future net cash flows, management has applied judgement that there is no material uncertainties related to events or conditions that may cast substantial doubt on the Company's ability to continue as a going concern.

[ii] Contingencies

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to profit or loss in that period. The actual results may vary and may cause significant adjustments.

[iii] Intangible assets

The Company employs significant estimates to determine the estimated useful lives of intangible assets, considering the nature of the asset, contractual rights, expected use and review of asset useful lives. The Company reviews amortization methods and useful lives annually or when circumstances change and adjusts its amortization methods and assumptions prospectively.

The Company reviews intangible assets for impairment annually or when impairment indicators exist. If the recoverable amount of the respective intangible asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments.

[iv] Valuation of share-based payments and warrants

Management measures the costs for share-based payments and warrants, including certain warrant liabilities, using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected term, expected risk-free interest rate and the rate of forfeiture. For performance share units ("PSUs"), management is required to estimate when the vesting conditions will be met. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments, warrants and warrant liabilities.

[v] Allowance for credit losses

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Judgment is required as to the timing of establishing an allowance for credit losses and to estimate the amount of expected credit losses taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current and future economic trends, the expected residual value of the underlying assets and past experience.

[vi] Functional currency

The Company and its subsidiaries are required to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, management has to analyze several factors, including which currency mainly influences the cost of undertaking the business activities, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities. Management uses its judgment to determine which factors are most important when the above indicators are mixed and the functional currency is not obvious.

[vii] Disclosure of interests in other entities

To assess the investment in Celly, judgment was required to determine if the Company has significant influence or control of Celly. The Company considered the relevant guidance in *IFRS 10 – Consolidated Financial Statements*, *IAS 24 – Related Party Disclosures* and *IAS – 28 Investments in Associates and Joint Ventures*.

Judgment is applied in determining when the Company controls an investment even if the Company holds less than a majority of the investee's voting rights (the existence of de facto control). The Company concluded it has control of Celly even though the Company only held 22.95% of the voting rights as of December 31, 2024 (December 31, 2023 – 26.15%). The Company concluded that it has control of Celly as the Company, together with persons or entities considered to be de facto agents of the Company, held a combined 56.83% (December 31, 2023 - 52.05%) of the voting rights of Celly. In addition, key management personnel of the Company hold three of the four board of director positions of Celly. The assessment of control is performed on a continuous basis. The Company determined that it obtained control of Celly on July 31, 2023, and control was maintained from July 31, 2023, through December 31, 2024.

Celly is significantly dependent on the Company as a result of the License Agreement and the loan. The NCI component of Celly is included as a separate component in equity (Note 17).

[viii] Derivative liability in Convertible Debenture

The estimates and judgements made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The valuation technique used to determine the fair value requires inputs that involve assumptions and judgement such as the credit risk of the Company, volatility of the Company, probability of default event and foreign exchange rate. Such judgement and assumptions are inherently uncertain. Changes in these assumptions will affect the fair value of the derivative liability.

[ix] Measurement of digital assets, at fair value less costs to sell:

Digital assets consist of electronic currency, coins, or alternative cryptocurrency coins (altcoins) - a type of currency only available in digital form.

There are inherent and higher risks to digital assets including the risk associated with traditional securities, which include significant price volatility, the loss of the digital assets, fraud, and high transaction fees.

Where the fair values of digital assets recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value.

3. Material accounting policies

[a] Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment includes expenditures that are directly attributable to the acquisition or construction of the asset.

Depreciation is based on the estimated useful lives of the assets provided as follows:

| | |
|------------------------|----------------------------|
| Computer equipment | 3 years |
| Furniture and fixtures | 3 – 10 years |
| Lease improvements | Over the term of the lease |

An item of equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation and the depreciation charge are adjusted prospectively, if appropriate.

[b] Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the useful life, as follows:

| | |
|-----------------------|--------------|
| Intellectual Property | 5 – 15 years |
|-----------------------|--------------|

Expenditures on internally generated intangible assets during the research phase are expensed as incurred. Expenditures on internally generated intangible assets during the development phase, which comprise deferred development costs, are initially capitalized and recognized in the consolidated balance sheet if they meet the recognition criteria. Subsequent to initial recognition, deferred development costs are accounted for at cost less accumulated amortization and are amortized on a straight-line basis over an estimated useful life beginning once the deferred development costs are used in commercial production.

[c] Foreign Currency Transactions

Foreign currency transactions are translated into functional currencies at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

On consolidation, assets and liabilities of operations with a functional currency other than United States dollar are translated into United States dollar at period end foreign currency rates. Expenses of such operations are translated into the United States dollar at average rates for the period. Foreign currency translation gains and losses are

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

[d] Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statements of loss and comprehensive loss.

• Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit and loss (“FVTPL”). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|------------------------------------|--|
| Financial assets at FVTPL | Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statements of loss and comprehensive loss. |
| Financial assets at amortized cost | Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in consolidated statements of loss and comprehensive loss. |

Digital assets at fair value

Digital coins and digital tokens held by the Company are carried at fair value. The Company determines the fair value of such digital coins and digital tokens using the closing price on the valuation date provided by the custodian that the Company uses for holding these digital assets.

To determine the fair value of a particular digital asset, the Company relies on its custodian as the primary source for price information, which management considers as approximate fair value. Unlike traditional methods that involve

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

assessing multiple exchanges and applying specific criteria, the Company uses the custodian's published price data directly as the relevant and reliable source for determining fair value. This approach aligns with the Company's operational and reporting practices.

The Company evaluates the principal markets annually and conducts a quarterly analysis to determine if any changes in the principal market are required.

- Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

- Financial liabilities and equity instruments

- Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Company does not reclassify financial liabilities or equity after initial recognition due to a change in circumstance.

- Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated statements of loss and comprehensive loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

- Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

| | |
|--------------------------|-----------------------------------|
| Cash and cash equivalent | Amortized cost |
| Digital assets | Fair value through profit or loss |
| Investments | Fair value through profit or loss |
| Finance receivables | Amortized cost |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

| | |
|--------------------------|-----------------------------------|
| Trade and other payables | Amortized cost |
| Warrants liability | Fair value through profit or loss |
| Notes payable | Amortized cost |
| Convertible debentures | Amortized cost |
| Derivative liabilities | Fair value through profit or loss |

- Impairment of financial assets
 - Finance receivables

Finance receivables are a financial asset initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method. The Company's business model is to hold these receivables to collect contractual cash flows that represent solely payments of principal and interest. Finance receivables are assessed for impairment at the end of each reporting period in accordance with IFRS 9 as outlined below.

The ECL model is based on the credit losses expected to arise over the life of the assets, unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss. The ECL model uses a three-stage impairment approach based on changes in the credit risk of the finance receivable since initial recognition. The three stages are as follows:

Stage 1– Finance receivables that have not experienced a significant increase in credit risk since initial recognition.

Stage 2– Finance receivables that have experienced a significant increase in credit risk since initial recognition.

Stage 3 – Finance receivables for which there is objective evidence of impairment.

The Company considers a number of factors when assessing if there has been a significant increase in credit risk, including the number of days past due, changes in the financial condition of the borrower, responsiveness of the borrower and other borrower specific information that may be available, without consideration of collateral.

In determining its estimation of the ECL allowances, the Company also considers past events, current market conditions including interest rates, real estate market statistics, and supportable forward-looking information, including macro-economic factors, such as housing price and interest rate forecasts.

The ECL model requires the recognition of credit losses equal to 12-month ECLs for Stage 1 and recognition of lifetime expected credit losses for Stage 2 and 3. The 12-month ECLs are lifetime ECLs that are expected to occur within 12 months after the reporting date. The lifetime ECLs represent the expected loss in value due to possible default events over the life of a mortgage receivable weighted by the likelihood of a loss. Three factors are primarily used to measure ECLs: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

[e] Impairment of long-lived assets

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Long-lived assets, including equipment and intangible assets are tested for impairment at each reporting date when there are indicators of impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Intangible assets with an indefinite useful life are tested for impairment at least annually in the fourth quarter and whenever there is an indication that the asset may be impaired. The Company has no indefinite life intangible assets.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in net loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[f] Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

[g] Share-based Compensation

Share options and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided, whichever is considered more reliable. Share options, performance share units ("PSUs"), restrictive units ("RSUs") and warrants awarded to employees are accounted for using the fair value method. The fair value of the share options, PSUs, RSUs and warrants granted are recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value of share options and warrants are calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant. The fair value of PSUs is calculated using market share prices at the date of grant.

[h] Net Loss per Share

Net loss per share is calculated based on the loss for the financial year and the weighted average number of common shares outstanding during the year. Diluted net loss per share is calculated using the loss for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

[i] External research and development

External research and development costs are expensed in the periods in which they are incurred, with the exception of development costs for new products with proven technical feasibility and for which a defined future market exists. Such development costs are capitalized in accordance with the Company's policy for intangible assets. The Company's external research and development costs relate primarily to third-party contract research organizations.

[j] Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element of net income or loss on the consolidated statements of loss and comprehensive loss for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statements of financial position. Comparative periods are not restated on the consolidated statements of financial position. Assets held for sale are not depreciated and are measured at the lower of carrying value and fair value less costs to sell.

[k] Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

[l] Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in contributed surplus. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is left in contributed surplus.

[m] Convertible debentures

The Company issues convertible debentures which can be converted into common shares at the option of the holder, at a fixed conversion price denominated in Canadian dollars.

For convertible debentures which provide conversion into a variable number of shares or into a fixed number of shares for a variable amount of consideration, the conversion option is accounted for as an embedded derivative, which is separated from the host contract. Upon initial recognition, the derivative liability is valued at fair value using a valuation model. The carrying amount of the convertible debenture (host debt) will be recognized as the difference between the total proceeds received from the issuance and the fair value of the derivative liability. Any directly attributable transaction costs are allocated to the derivative liability and host contract in proportion to their initial carrying amounts.

[n] Inventories

Inventories consist of purchased finished goods and raw materials that will be used in the manufacturing of finished goods. The cost of raw materials inventory is determined on a first-in, first-out basis. The cost of finished goods are

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

valued at the lower cost or net realizable value. The inventories balance is included in these financial statements as part of the Company's investment in Celly (Note 17).

New standards, amendments and interpretations adopted by the Company

Amendment to IAS 1, Presentation of Financial Statements, Issued but not yet effective

IAS 1 was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. The amendment is effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted. The Company adopted this amendment as of the effective date, and there were no material changes upon adoption.

IFRS 16 – Leases (“IFRS 16”)

In September 2022, the IASB issued amendments to IFRS 16, Leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendment did not have a material impact on the consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the consolidated financial statements.

4. Other receivables

The Company's other receivables are comprised of the following as at:

| | December 31, 2024 | December 31, 2023 |
|-----------------------|-------------------|-------------------|
| | \$ | \$ |
| Sales tax recoverable | 367,480 | 209,550 |
| Interest receivable | 156 | 15,511 |
| Other receivables | 7,042 | 3,703 |
| | 374,678 | 228,764 |

5. Prepaid expenses and deposits

The Company's prepaid expenses and deposits include the following:

| | December 31, 2024 | December 31, 2023 |
|-----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Research and development | 26,348 | 30,705 |
| Insurance | 36,162 | 60,999 |
| Other prepaids and deposits | 6,526 | 63,709 |
| | 69,036 | 155,413 |

6. Finance receivables

Finance receivables consist of secured loan receivables measured at amortized cost, net of allowance for expected credit losses. Finance receivables for the following years are as follows:

| | \$ |
|------------------------------------|------------------|
| Balance – December 31, 2022 | 7,431,656 |
| Additions | 1,021,489 |
| Add: Interest income | 568,919 |
| Less: Interest payments | (597,986) |
| Less: Principal payments | (526,107) |
| Effects of foreign exchange | 197,383 |
| Balance – December 31, 2023 | 8,095,354 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

| | |
|------------------------------------|------------------|
| Additions | 2,300,368 |
| Add: Interest income | 513,925 |
| Less: Interest payments | (490,277) |
| Less: Principal payments | (6,632,290) |
| Effects of foreign exchange | (354,740) |
| Balance – December 31, 2024 | 3,432,340 |
| <hr/> | |
| Current | 3,432,340 |
| Non-current | - |
| Balance – December 31, 2024 | 3,432,340 |

Allowances for expected credit losses as at December 31, 2024, were \$nil (December 31, 2023 - \$nil). Finance receivables earn fees at fixed rates between 6%-8% per annum and have an average term to maturity of one year from the date of issuance. The loans are secured by residential property with a first or second collateral mortgage on the secured property, except for the loan issued to a related party (Note 22). Loans are issued up to 55% of the initial appraised value of the secured property at the time of issuance.

Finance receivables include the following as at December 31, 2024:

| | |
|---------------------------------|------------------|
| | \$ |
| Minimum payments receivable | 3,250,668 |
| Unearned income | 181,672 |
| Net investment | 3,432,340 |
| Allowance for credit losses | — |
| Finance receivables, net | 3,432,340 |

As at December 31, 2024, all loans were classified at amortized cost.

7. Investments

The following tables outline changes in investments during the years:

| Entity | Instrument | Note | Balance at December 31, 2023 \$ | Additions \$ | Redemptions | Change in fair value through profit or loss \$ | Effects of foreign exchange \$ | Balance at December 31, 2024 \$ |
|----------------------|------------|-------|--|------------------|--------------------|---|---|--|
| A2ZCryptoCap Inc. | Shares | (i) | 6,049 | — | — | (3,702) | (123) | 2,224 |
| Royal Bank of Canada | GIC | (ii) | 756,100 | — | (738,000) | — | (18,100) | — |
| Royal Bank of Canada | GIC | (iii) | — | 2,955,610 | (2,934,760) | — | — | 20,850 |
| Bank of Montreal | GIC | (iv) | — | 500,000 | (500,000) | — | — | — |
| Meridian | GIC | (v) | — | 3,234,026 | (2,016,317) | — | (36,210) | 1,181,499 |
| | | | 762,149 | 6,689,636 | (6,189,077) | (3,702) | (54,433) | 1,204,573 |
| | | | | | | | Current | 1,202,349 |
| | | | | | | | Non-Current | 2,224 |
| | | | | | | | | 1,204,573 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

| Entity | Instrument | Note | Balance at December 31, 2022 \$ | Proceeds from sale \$ | Additions \$ | Change in fair value through profit or loss \$ | Effects of foreign exchange \$ | Balance at December 31, 2023 \$ |
|--------------------------|-----------------------|-------|--|-----------------------------|-----------------|---|---|--|
| Solarvest BioEnergy Inc. | Shares | (vi) | 221,490 | — | — | (221,490) | | — |
| Solarvest BioEnergy Inc. | Convertible debenture | (vi) | 177,192 | — | — | (177,192) | — | — |
| A2ZCryptoCap Inc. | Shares | (i) | 10,632 | — | — | (4,583) | — | 6,049 |
| Lions Bay Fund | Shares | (vii) | 418,298 | 443,138 | — | 24,840 | — | — |
| Royal Bank of Canada | GIC | (ii) | — | — | 744,500 | — | 11,600 | 756,100 |
| | | | 827,612 | 443,138 | 744,500 | (378,425) | 11,600 | 762,149 |
| | | | | | | | Current | 756,100 |
| | | | | | | | Non-Current | 6,049 |
| | | | | | | | | 762,149 |

(i) A2ZCryptoCap Inc. ("A2Z")

On June 23, 2022, the Company acquired 80,000 shares of A2Z for C\$0.10 per share. As at December 31, 2024, the fair value of the shares was determined based on the quoted market price of the shares of C\$0.04 per share (December 31, 2023 – C\$0.10). The shares have been classified as level 1 within the fair value hierarchy – quoted market price.

(ii) On August 9, 2023, the Company purchased a Guaranteed Investment Certificate ("GIC") in the amount of C\$744,500 from Royal Bank of Canada ("RBC") with a maturity date of August 9, 2024. The GIC pays variable interest based on RBC's Prime Interest Rate minus 2.00%. During the year ended December 31, 2024, the Company redeemed the full amount for gross proceeds of \$738,000. The balance outstanding as at December 31, 2024 is \$nil.

iii) During the year ended December 31, 2024, the Company purchased four GICs for a total amount of C\$4,030,000 from RBC with maturity dates ranging from February 14, 2025, to September 12, 2025. The GICs pay variable interest ranging from 4.20% to 4.95% per annum. As of December 31, 2024, the total balance outstanding was C\$30,000 as three GICs out of the four were effectively redeemed prior to maturity.

iv) During the year ended December 31, 2024, the Company purchased a GIC in the amount of USD\$500,000 from Bank of Montreal ("BMO") with a maturity date of October 11, 2024. The GIC paid a variable interest rate of 4.50% per annum. As of December 31, 2024, the total balance outstanding is \$nil as the entire amount was redeemed at maturity.

(v) During the year ended December 31, 2024, the Company purchased three GICs for a total amount of C\$4,520,000 from Meridian Credit Union ("Meridian") with maturity dates ranging from December 21, 2024, to March 25, 2025. The GICs pay variable interest ranging from 3.52% to 3.78% per annum. As of December 31, 2024, the total balance outstanding was C\$1,700,000 as C\$2,820,000 was redeemed at maturity.

(vi) Solarvest BioEnergy Inc. ("Solarvest")

The Company held 3,000,000 common shares of Solarvest and a convertible debenture with a principal amount of C\$2,400,000, which matured on May 31, 2024. The convertible debenture can be converted into common shares of Solarvest at a price of \$1.00 per share.

As at December 31, 2023 and 2024, the fair value of the shares was determined to be \$nil given the halt in trading of Solarvest's shares as a result of the entity failing to maintain a transfer agent and due to the significant financial and operational challenges being faced by the entity. The fair value of the convertible debenture was determined to be \$nil as well. The shares have been classified as level 1 within the fair value hierarchy – quoted market price, and the convertible debenture has been classified as level 2 – valuation technique with observable market inputs.

(vii) Lions Bay Fund ("Fund")

During the year ended December 31, 2022, the Company invested \$395,450 into the Fund. The investment was sold for proceeds of \$443,138. The Company recognized a gain of \$24,840 on the sale of the Fund during the year ended

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

December 31, 2023.

8. Inventory

Inventories consist of purchased raw materials that will be used in the manufacturing of finished goods and are valued at lower of cost or net realizable value. The cost of inventory is determined on a first-in, first-out basis. The cost of work in-process and finished goods are valued at the lower of cost or net realizable value. As at December 31, 2024, the Company's inventory consisted of the following:

| | \$ |
|--|----------------|
| Outstanding as at December 31, 2023 | — |
| Raw materials | 51,973 |
| Finished goods | 65,269 |
| Outstanding as at December 31, 2024 | 117,242 |

9. Digital assets

(a) The fair value and cost of digital assets are as follows as at December 31, 2024:

| | Cost | Unrealized (loss) on change in fair value | Fair value |
|----------|------------------|--|----------------|
| | \$ | \$ | \$ |
| Bitcoin | 401,000 | (44,123) | 356,877 |
| Dogecoin | 201,000 | (46,686) | 154,314 |
| Solana | 401,000 | (50,961) | 350,039 |
| | 1,003,000 | (141,770) | 861,230 |

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Digital assets have a limited history, and the fair value historically has been very volatile. The Company may not be able to liquidate its inventory of digital assets currency at its desired price if required. The Company has recognized a change in fair value \$141,770 that is included in the net loss from operations.

The following table presents the Company's digital assets, measured at fair value less costs to sell and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at December 31, 2024:

| Digital assets, at fair value less costs to sell | Level 1 Quoted market price | Level 2 Valuation technique - observable market inputs | Level 3 Valuation technique - unobservable market inputs |
|---|-----------------------------------|--|--|
| | \$ | \$ | \$ |
| Digital coins | — | 861,230 | — |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

10. Intangible assets

Intangible assets as at December 31, 2024 are as follows:

| Cost | Innovet | Prismic | Lucid | Total |
|--|----------------|-------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| As at December 31, 2022 | 750,000 | 19,201,493 | 6,314,571 | 26,266,064 |
| Impairment | (750,000) | (19,201,493) | — | (19,951,493) |
| As at December 31, 2023 and December 31, 2024 | — | — | 6,314,571 | 6,314,571 |
| Accumulated amortization | \$ | \$ | \$ | \$ |
| As at December 31, 2022 | 229,933 | 13,457,622 | 538,220 | 14,225,775 |
| Amortization | 39,971 | 1,904,348 | 420,664 | 2,364,983 |
| Impairment | (269,904) | (15,361,970) | — | (15,631,874) |
| As at December 31, 2023 | — | — | 958,884 | 958,884 |
| Amortization | — | — | 421,816 | 421,816 |
| As at December 31, 2024 | — | — | 1,380,700 | 1,380,700 |
| Net book value | | | | |
| As at December 31, 2023 | — | — | 5,355,687 | 5,355,687 |
| As at December 31, 2024 | — | — | 4,933,871 | 4,933,871 |

During the year ended December 31, 2023, the Company recognized an impairment loss of \$480,096 in the statements of loss and comprehensive loss related to the Innovet License Agreement as the Company made a strategic decision to no longer pursue the development of ultra-micro PEA for veterinary purposes.

During the year ended December 31, 2023, the Company recognized an impairment loss of \$3,839,523 in the statements of loss and comprehensive loss related to licensed compound ultra-micro PEA ("FSD-201") acquired through the acquisition of Prismic as the Company made a strategic decision to no longer pursue the development of FSD-201.

The Company's intangible asset for Lucid represents the license agreement with the University Health Network giving the Company world-wide exclusive rights to the Lucid-MS compound and related patents.

11. Trade and other payables

Trade and other payables consist of the following as at:

| | December 31, 2024 | December 31, 2023 |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| Trade payables | 3,254,838 | 3,240,658 |
| Accrued liabilities (i) | 1,107,230 | 954,371 |
| | 4,362,068 | 4,195,029 |

(i) Accrued liabilities consist of the following as at:

| | December 31, 2024 | December 31, 2023 |
|--|-------------------|-------------------|
| | \$ | \$ |
| External research and development fees | 55,670 | — |
| Operational expenses | 178,307 | 71,953 |
| Professional and other fees | 464,060 | 473,225 |
| Accrued interest | 409,193 | 409,193 |
| | 1,107,230 | 954,371 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

12. Warrants Liability

[a] August 2022 Warrants

In August 2020, the Company issued 42,499 Class B Subordinate Voting Shares and 21,250 warrants to purchase Class B Subordinate Voting Shares for total cash proceeds of \$9,999,997. Each warrant is exercisable to purchase one Class B Subordinate Voting Share of the Company at an exercise price of \$276.90 per share and expire five years from the date of issuance. The fair value of these warrants is classified as Level 2 in the fair value hierarchy.

On initial recognition the Company determined that these warrants did not meet the IFRS definition of equity due to the exercise price being denominated in United States dollar, which was not the functional currency of the Company at the time resulting in variability in exercise price. The change in functional currency on October 1, 2020, was determined to be a change in circumstance and, as such, the Company has made an accounting policy choice to continue to recognize the warrants as a financial liability classified at fair value through profit or loss.

The fair value of the warrants liability as at December 31, 2024, was \$2 (December 31, 2023 – \$31,338) resulting in a gain on change in fair value of \$31,336 for the year ended December 31, 2024 (2023 – \$113,211). The fair value was determined using the Black-Scholes option pricing model and the following assumptions as at:

| | December 31, 2024 | | December 31, 2023 | |
|-------------------------|-------------------|--------|-------------------|--------|
| Share price | \$ | 3.68 | \$ | 59.80 |
| Exercise price | \$ | 276.90 | \$ | 276.90 |
| Expected dividend yield | | - | | - |
| Risk free interest rate | | 2.91% | | 3.91% |
| Expected life | | 0.60 | | 1.60 |
| Expected volatility | | 134% | | 66% |

[b] December 2024 Warrants

During the year ended December 31, 2024, the Company issued warrants attached to its convertible debenture (Note 14).

The Company determine that these warrants were exchangeable into a variable number of shares due to foreign exchange, and as such, the warrants were classified as financial liabilities measured at fair value through profit or loss ("FVTPL"). The Company uses the Black-Scholes pricing model to estimate fair value. Expected volatility has been based on an evaluation of the historical volatility of the Company's share price. The risk-free interest rate for the life of the warrants was based on the yields available on government benchmark bonds with a term approximating the remaining term of the warrants. The life of the warrants is based on the contractual term. The fair value of the warrant liability as at December 13, 2024, the date of issuance was \$245,147. The fair value of the warrants as of December 31, 2024 was \$212,000 resulting in a gain on change in fair value of \$33,000. The fair value was determined using the Black-Scholes option pricing model and the following assumptions as at:

| | December 13, 2024 | | December 31, 2024 | |
|-------------------------|-------------------|---------|-------------------|---------|
| Share price (CAD) | | \$5.80 | | \$5.20 |
| Exercise price (CAD) | \$ | 7.00 | \$ | 7.00 |
| Expected dividend yield | | - | | - |
| Risk free interest rate | | 2.97% | | 2.96% |
| Expected life | | 5.00 | | 4.95 |
| Expected volatility | | 104.39% | | 104.52% |
| Foreign exchange rate | | 0.70 | | 0.70 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

13. Notes payable

As at December 31, 2024, the Company has total notes payable balance of \$619,029 (December 31, 2023 - \$300,549).

During the year ended December 31, 2024, the Company issued a note payable of \$309,138 (AUD \$500,000) to RH Capital Finance CO LLC ("RH Capital"), with an interest rate of 17.0% per annum and maturing in June 2025. During the year ended December 31, 2024, the Company accrued interest of \$9,343 (AUD \$15,111) and the total outstanding balance was \$318,480 (AUD \$515,111).

During the year ended December 31, 2024, the Company issued a note payable of \$290,387 (AUD \$440,000) to RH Capital, with an interest rate of 16.0% per annum and maturing in June 2024. During the year ended December 31, 2024, the Company accrued interest of \$30,547 (AUD \$34,941). The total balance including interest was received during the year ended December 31, 2024, and there was no balance remaining as of December 31, 2024. This loan allowed the Company to access liquidity with respect to the Australian tax rebate scheme structure.

The remaining note payable balance of \$300,549 was assumed on the acquisition of Prismic and is due on demand.

14. Convertible debentures

In December 2024, the Company issued a total of 1,000 convertible debenture units of the Company (the "Debenture Units") at a price of C\$1,000 per Debenture Unit (the "Issue Price") for total gross proceeds of C\$1,000,000. Each Debenture Unit consists of (i) one secured convertible debenture having a face value of C\$1,000 (each a "Debenture"); and (ii) 80 class B common share purchase warrants (each a "Warrant") exercisable for 80 Class B subordinate voting shares in the Company (each, a "Share"). The Debentures mature 36 months from the date of issuance (the "Maturity Date") and bear interest at a rate of 1.25% per month, beginning on the date of issuance and payable in cash on the last day of each calendar quarter. The principal sum of the Debentures, or any portion thereof, and any accrued but unpaid interest, may be converted into class B Shares at a conversion price of C\$6.25 per class B Share. Each Warrant shall entitle the holder to acquire one additional class B Share (each, a "Warrant Share") at a price of C\$7.00 per Warrant Share, for a period of five years from the date of issuance.

The Company may redeem the Debentures at any time prior to maturity, in whole or in part, upon fifteen days' notice and payment of certain penalties as applicable. The convertible debenture was determined to be a financial instrument comprising a host debt component, a conversion feature and a warrant component which are both considered to be embedded derivatives due to variable consideration payable upon conversion caused by foreign exchange. On initial recognition, the fair value of the embedded derivatives is calculated first, with the residual value being assigned to the host financial liability. The initial fair value of the warrants is \$245,147 (Note 12).

The fair value of the conversion feature is determined by using with-and-without method that considers change in expected cash flows due to the conversion. The model includes all terms of the convertible debenture described above as well as the probability of conversion, the impact of default barrier and the implied credit spread of the Company. The fair value of the conversion feature as at December 13, 2024, the date of issuance was \$320,000. The fair value of the warrants as at December 31, 2024 was \$280,000 resulting in a gain on change in fair value of \$40,000. The fair value was determined using the assumptions below:

| | December 13, 2024 | December 31, 2024 |
|-------------------------|-------------------|-------------------|
| Share price (CAD) | \$ 5.85 | \$ 5.20 |
| Conversion price (CAD) | \$ 6.25 | \$ 6.25 |
| Expected Volatility | 98.04% | 100.68% |
| Risk free interest rate | 2.78% | 2.70% |
| Expected life | 3.00 | 2.95 |
| Credit Spread | 12.25% | 12.25% |
| Foreign exchange rate | 0.7025 | 0.6952 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

As of December 31, 2024, the Company had the following Debenture balance outstanding:

| | |
|------------------------------------|-------------------|
| Proceeds | \$ 702,700 |
| Value of conversion option | 320,000 |
| Value of warrants (Note 12 [b]) | 245,147 |
| Initial recognition of debt | \$ 137,553 |
| Accretion and interest expense | 14,560 |
| Balance, December 31, 2024 | \$ 152,113 |

15. Share capital

[a] Authorized

The Company is authorized to issue an unlimited number of class A multiple voting shares ("Class A Multiple Voting Shares") and an unlimited number of class B subordinate voting shares ("Class B Subordinate Voting Shares"), all without par value. All shares are ranked equally regarding the Company's residual assets.

The Class B Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws, as these securities do not carry equal voting rights as compared with the Class A Multiple Voting Shares.

The holders of Class A Multiple Voting Shares are entitled to 276,660 votes per Class A Multiple Voting Share held. Class A Multiple Voting Shares are held by the Chief Executive Officer ("CEO"), President, Executive Co-Chairman of the Board and the Director and Executive Co-Chairman of the Board. The holders of Class B Subordinate Voting Shares are entitled to one (1) vote per share held.

[b] Issued and outstanding

During the year ended December 31, 2024, the Company consolidated its Class A and Class B shares on a 65:1 basis, and the effect was applied retroactively for all comparative periods presented.

Reconciliation of the Company's share capital is as follows, adjusted for the share consolidation:

| | Class A Multiple Voting Shares | | Class B Subordinate Voting Shares | | Warrants | |
|-----------------------------------|--------------------------------|----------------|-----------------------------------|--------------------|----------------|------------------|
| | # | \$ | # | \$ | # | \$ |
| Balance, December 31, 2021 | 2 | 151,588 | 622,319 | 152,173,089 | 107,028 | 5,137,417 |
| Shares repurchase [a] | — | — | (30,766) | (7,523,117) | — | — |
| Share-based payments [b] | — | — | 2,433 | 169,500 | — | — |
| Share cancellation [c] | — | — | (7,768) | (1,752,090) | — | — |
| PSU converted to shares | — | — | 6,154 | 191,590 | — | — |
| Warrants expired | — | — | — | — | (7,303) | (2,995,017) |
| Balance, December 31, 2022 | 2 | 151,588 | 592,372 | 143,258,972 | 99,725 | 2,142,400 |
| Plan of arrangement [d] | — | 34 | 1 | — | — | — |
| Shares repurchase [e] | — | — | (29,303) | (7,165,356) | — | — |
| Warrants issued [f] | — | — | — | — | 61,154 | 1,372,763 |
| PSU converted to shares [g] | — | — | 41,848 | 1,464,000 | — | — |
| Share options exercised [h] | — | — | 323 | 33,247 | — | — |
| Share-based payments [i] | — | — | 555 | 36,000 | — | — |
| Warrants expired [j] | — | — | — | — | (2,047) | (791,807) |
| Balance, December 31, 2023 | 2 | 151,622 | 605,796 | 137,626,863 | 158,832 | 2,723,356 |
| Shares issued [k] | 10 | 79 | 1,384,783 | 10,670,539 | — | — |
| Shares for debt [l] | — | — | 301,423 | 1,990,213 | — | — |
| Warrants expired [m] | — | — | — | — | (20,770) | (286,189) |
| Warrants cancelled [n] | — | — | — | — | (7,692) | (439,408) |
| RSU converted to shares [o] | — | — | 7,500 | 31,009 | — | — |
| Warrants issued [p] | — | — | — | — | 80,000 | — |
| Balance, December 31, 2024 | 12 | 151,701 | 2,299,502 | 150,318,624 | 210,370 | 1,997,759 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Activity during the year ended December 31, 2022

- [a] During the year ended December 31, 2022, the Company repurchased and cancelled 30,766 Class B Common Shares at prevailing market prices as part of its share repurchase program.
- [b] During the year ended December 31, 2022, the Company issued 1,648 Class B shares for services received during the period with a fair value of \$120,000. The fair value was based on services received. During the year ended December 31, 2022, the Company issued 785 Class B shares for services received during the period with a fair value of \$49,500. The Company determined the fair value of the services received could not be measured reliably and determined fair value based on the underlying share price on the date of issuance.
- [c] On March 29, 2022, the Company cancelled 7,768 Class B shares previously held by the former CEO following a court decision with respect to the shares issued in February 2021.

Activity during the year ended December 31, 2023

- [d] In November 2023, the Company completed the Plan of Arrangement reorganization. The Company cancelled all 2 Class A Shares of the Company and reissued 1 new Class B shares and 2 new Class A Shares. The Company cancelled all 605,795 Class B shares outstanding and reissued 605,795 new Class B shares. There was 1 previously issued Class B share that was removed due to an administrative adjustment. The Company also cancelled and reissued 94,473 FSD Pharma New Distribution Warrants. Each holder of the Company's Class A shares, Class B shares and the FSD Pharma New Distribution Warrants was distributed a share of Celly from the Company for each Class A share, Class B share and New Distribution Warrant held. As a result, the Company issued 703,270 shares of Celly which was recognized as a deemed dividend of \$8,673 with a corresponding adjustment to NCI.
- [e] The Company repurchased and canceled 29,303 Class B Subordinate Voting Shares at prevailing market prices as part of its share repurchase program.
- [f] The Company issued 61,154 warrants for consulting services with a fair value of \$1,384,970. The Company recognized \$1,372,763 as expense during the year ended December 31, 2023, with the remaining \$12,206 to be recognized over the vesting period of certain warrants. The Company determined the fair value of the services received could not be measured reliably and determined the fair value using the Black-Scholes model.
- [g] The Company converted 41,848 PSUs to Class B Subordinate Voting Shares following the completion of the vesting condition on January 6, 2023, the filing of the MS Phase 1 IND.
- [h] 323 share options were exercised with an exercise price of C\$84.50 in exchange for 323 Class B Common shares.
- [i] The Company issued 555 Class B Subordinate Voting Shares for services received during the period with a fair value of \$36,000.
- [j] 2,047 warrants expired unexercised.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Activity during the year ended December 31, 2024:

[k] The Company entered into an at-the-market offering agreement (the "ATM Agreement") to sell Class B Subordinate Voting Shares, having an aggregate offering price up to \$11,154,232. During the year ended December 31, 2024, the Company issued 1,384,783 common shares for gross proceeds of \$11,146,731. A cash commission of \$334,403 based on 3.0% of the aggregate gross proceeds, plus other trading expenses of \$141,789, resulted in total share issuance costs of \$476,192. The net proceeds were \$10,670,539.

During the year ended December 31, 2024, the Company issued 10 Class A Multiple Voting Shares of the Company for total gross proceeds of approximately \$79 (C\$108).

[l] During the year ended December 31, 2024, the Company issued a total of 53,263 Class B Subordinate Voting Shares to settle debts owing to arm's length creditors at various prices for total fair value of \$972,757. The number of shares issued include 846 RSU that were issued and converted into shares for debt. The decrease in the payable for these creditors was based on the total fair value of the shares issued.

During the year ended December 31, 2024, the Company issued a total of 248,160 Class B Subordinate Voting Shares in lieu of a cash bonus granted to executives of the Company. The total fair value of the shares issued was \$1,017,456. The fair value of the bonus was recognized under payroll expenses.

[m] 20,770 warrants expired unexercised.

[n] On September 6, 2024, the Company cancelled an aggregate of 7,692 warrants with an exercise price of C\$97.50 to purchase Class B Subordinate Voting Shares, which were previously granted to a board member.

[o] On September 6, 2024, the Company granted 7,500 RSUs to an arm's length party with a price of \$4.13 per unit for a total value of \$31,009 based on the share price at the date of issuance. The total amount was recognized as share-based compensation expense as the RSUs vested immediately upon issuance and 7,500 Class B Subordinate Voting Shares were issued for the same value.

[p] On December 13, 2024, 80,000 warrants of the Company were issued as part of the issuance of Debentures (Note 14).

The changes in the number of warrants outstanding during the years ended December 31, 2024, 2023 and 2022 were as follows:

| | Number of warrants # | Weighted average exercise price C\$ |
|--|-------------------------|---|
| Outstanding as at December 31, 2021 | 107,028 | 357.52 |
| Expired | (7,303) | 555.17 |
| Outstanding as at December 31, 2022 | 99,725 | 355.95 |
| Issued | 61,154 | 295.75 |
| Expired | (2,047) | 260.65 |
| Outstanding as at December 31, 2023 | 158,832 | 328.30 |
| Issued | 80,000 | 7.00 |
| Cancelled | (7,692) | 97.50 |
| Expired | (20,770) | 305.41 |
| Outstanding as at December 31, 2024 | 210,370 | 250.33 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Measurement of fair values

During the year ended December 31, 2024, 80,000 warrants of the Company were issued in connection with the issuance of convertible debentures, exercisable until December 13, 2029 (Note 14). The warrants are classified as derivative liabilities (Note 12b).

The fair value of the warrants issued during the years ending December 31, 2023, under equity, was estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

| | <u>2023</u> |
|-------------------------|----------------------|
| Grant date share price | C\$93.60 - C\$148.85 |
| Exercise price | C\$97.50 - C\$703.30 |
| Expected dividend yield | — |
| Risk free interest rate | 3.08% - 4.26% |
| Expected life | 0.75 - 5 years |
| Expected volatility | <u>64% - 109%</u> |

The following table is a summary of the Company's warrants outstanding as at December 31, 2024:

| <u>Expiry Date</u> | | <u>Exercise price</u> | <u>Number outstanding</u> |
|--------------------|-----|-----------------------|---------------------------|
| | | <u>C\$</u> | <u>#</u> |
| February 27, 2025 | (i) | 163.67 | 6,154 |
| February 27, 2025 | (i) | 374.10 | 6,154 |
| February 27, 2025 | (i) | 748.20 | 3,077 |
| May 15, 2025 | | 97.50 | 577 |
| May 15, 2025 | | 195.00 | 577 |
| May 23, 2025 | | 97.50 | 769 |
| March 24, 2025 | (i) | 166.19 | 6,154 |
| March 24, 2025 | (i) | 385.61 | 6,154 |
| March 24, 2025 | (i) | 782.73 | 3,077 |
| May 4, 2025 | | 1,737.65 | 57 |
| May 10, 2025 | | 1,737.65 | 29 |
| May 17, 2025 | | 1,737.65 | 57 |
| May 31, 2025 | | 1,737.65 | 29 |
| June 8, 2025 | | 627.25 | 23,077 |
| August 6, 2025 | (i) | 602.65 | 21,249 |
| October 20, 2025 | (i) | 357.19 | 53,147 |
| January 16, 2026 | | 1,737.65 | 26 |
| January 20, 2026 | | 1,737.65 | 6 |
| December 13, 2029 | | 7.00 | 80,000 |
| | | 250.33 | 210,370 |

(i) Warrants were issued in US\$

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The following table is a summary of the Company's warrants outstanding as at December 31, 2023:

| Expiry Date | Exercise price C\$ | Number outstanding # |
|---------------------------|-----------------------|-------------------------|
| March 14, 2024 (i) | 159.04 | 3,077 |
| March 14, 2024 (i) | 366.23 | 1,538 |
| March 14, 2024 (i) | 687.75 | 3,077 |
| March 30, 2024 (i) | 128.95 | 4,615 |
| March 30, 2024 (i) | 257.91 | 3,846 |
| March 30, 2024 (i) | 386.86 | 3,846 |
| May 24, 2024 (i) | 128.95 | 769 |
| February 27, 2025 (i) | 150.45 | 6,154 |
| February 27, 2025 (i) | 343.88 | 6,154 |
| February 27, 2025 (i) | 687.75 | 3,077 |
| March 15, 2025 | 97.50 | 577 |
| March 15, 2025 | 195.00 | 577 |
| March 23, 2025 | 97.50 | 769 |
| March 24, 2025 (i) | 150.45 | 6,154 |
| March 24, 2025 (i) | 343.88 | 6,154 |
| March 24, 2025 (i) | 687.75 | 3,077 |
| Sunday, May 4, 2025 | 1,737.65 | 57 |
| Saturday, May 10, 2025 | 1,737.65 | 30 |
| Saturday, May 17, 2025 | 1,737.65 | 57 |
| Saturday, May 31, 2025 | 1,737.65 | 30 |
| Sunday, June 8, 2025 | 627.25 | 23,077 |
| August 6, 2025 (i) | 366.23 | 21,249 |
| October 20, 2025 (i) | 223.52 | 53,147 |
| Friday, January 16, 2026 | 1,737.65 | 26 |
| Tuesday, January 20, 2026 | 1,737.65 | 6 |
| May 15, 2028 | 97.50 | 7,692 |
| | 328.32 | 158,832 |

(i) Warrants were issued in US\$

The following table is a summary of the Company's warrants outstanding as at December 31, 2022:

| Expiry Date | Exercise price C\$ | Number outstanding # |
|----------------------|-----------------------|-------------------------|
| May 20, 2023 | 1,045.20 | 112 |
| June 23, 2023 | 162.50 | 1,538 |
| July 24, 2023 | 849.23 | 52 |
| September 11, 2023 | 352.76 | 344 |
| May 4, 2025 | 1,737.65 | 58 |
| May 10, 2025 | 1,737.65 | 29 |
| May 17, 2025 | 1,737.65 | 58 |
| May 31, 2025 | 1,737.65 | 29 |
| June 8, 2025 | 627.25 | 23,077 |
| August 6, 2025 (i) | 375.03 | 21,249 |
| October 20, 2025 (i) | 228.89 | 53,147 |
| January 16, 2026 | 1,737.65 | 26 |
| January 20, 2026 | 1,737.65 | 6 |
| | 355.95 | 99,725 |

(i) Warrants were issued in US\$

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

16. Share-based compensation

The Company has established a share option plan (the “Option Plan”) for directors, officers, employees and consultants of the Company. The Company’s Board determines, among other things, the eligibility of individuals to participate in the Option Plan, the term and vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option is converted into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

[i] Share-based payment arrangements

During the year ended December 31, 2024, the Company granted a total of 54,308 (2023 – 38,277 and 2022 – 923) share options.

During the year ended December 31, 2024, the Company cancelled an aggregate of 48,804 options (2023 – Nil and 2022 – 43,385), which were previously granted to Board members, advisory Board members, employees, advisors and consultants of the Company.

During the year ended December 31, 2024, an aggregate of 904 (2023 – 4,637 and 2022 - 650) share options expired.

The changes in the number of share options outstanding during the year ended December 31, 2024, are as follows:

| | Number of options # | Weighted average exercise price C\$ |
|--|------------------------|---|
| Outstanding as at December 31, 2023 | 37,856 | 101.59 |
| Granted | 54,308 | 26.24 |
| Cancelled | (48,804) | 95.68 |
| Expired | (904) | 352.83 |
| Outstanding as at December 31, 2024 | 42,456 | 6.97 |
| Exercisable as at December 31, 2024 | 34,123 | 7.30 |

The changes in the number of share options outstanding during the year ended December 31, 2023 are as follows:

| | Number of options # | Weighted average exercise price C\$ |
|-------------------------------------|------------------------|---|
| Outstanding as at December 31, 2022 | 6,439 | 241.47 |
| Granted | 38,277 | 99.05 |
| Forfeited | (1,900) | 135.64 |
| Exercised | (323) | 84.50 |
| Expired | (4,637) | 262.12 |
| Outstanding as at December 31, 2023 | 37,856 | 101.59 |
| Exercisable as at December 31, 2023 | 36,875 | 100.01 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The changes in the number of share options outstanding during the year ended December 31, 2022 are as follows:

| | Number of options # | Weighted average exercise price C\$ |
|--|------------------------|---|
| Outstanding as at December 31, 2021 | 49,613 | 178.83 |
| Granted | 923 | 84.50 |
| Forfeited | (62) | 243.75 |
| Expired | (650) | 241.19 |
| Cancelled | (43,385) | 166.50 |
| Outstanding as at December 31, 2022 | 6,439 | 241.47 |
| Exercisable as at December 31, 2022 | 6,404 | 241.42 |

Measurement of fair values

The fair value of share options granted during the years ended December 31, 2024, 2023 and 2022, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

| | 2024 | 2023 | 2022 |
|-------------------------|---------------------------|----------------------|----------|
| Grant date share price | C\$5.20 - C\$72.15 | C\$83.20 - \$C161.20 | C\$77.35 |
| Exercise price | C\$5.25 - C\$97.50 | C\$84.50 - \$C159.25 | C\$84.50 |
| Expected dividend yield | — | — | — |
| Risk free interest rate | 2.91% - 4.20% | 2.88% - 3.99% | 2.87% |
| Expected life | 2.00 years | 2.91 – 5.00 years | 3 years |
| Expected volatility | 66% - 103% | 95% - 110% | 112% |

Expected volatility was estimated by using the annualized historical volatility of the Company. The expected option life represents the period that options granted are expected to be outstanding. The risk-free interest rate is based on Canadian government bonds with a remaining term equal to the expected life of the options.

The following table is a summary of the Company's share options outstanding as at December 31, 2024:

| Options outstanding | | Weighted average remaining contractual life [years] | Options exercisable | |
|-----------------------|-------------------------|--|-----------------------|-------------------------|
| Exercise price C\$ | Number outstanding # | | Exercise price C\$ | Number exercisable # |
| 154.39 | 228 | 1.16 | 154.39 | 228 |
| 156.55 | 228 | 1.23 | 156.55 | 228 |
| 5.60 | 12,500 | 1.68 | 5.60 | 4,167 |
| 5.25 | 29,500 | 1.74 | 5.25 | 29,500 |
| 6.97 | 42,456 | 1.72 | 7.30 | 34,123 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The following table is a summary of the Company's share options outstanding as at December 31, 2023:

| Options outstanding | | | Options exercisable | | |
|-----------------------|-------------------------|---|-----------------------|-------------------------|--|
| Exercise price C\$ | Number outstanding # | Weighted average remaining contractual life [years] # | Exercise price C\$ | Number exercisable # | |
| 84.50 | 30,769 | 4.07 | 84.50 | 30,769 | |
| 110.50 | 1,046 | 1.87 | 110.50 | 1,046 | |
| 146.25 | 769 | 0.42 | 146.25 | 769 | |
| 150.15 | 231 | 2.16 | 150.15 | 231 | |
| 150.15 | 231 | 2.23 | 150.15 | 231 | |
| 159.25 | 4,523 | 2.15 | 159.25 | 3,562 | |
| 189.15 | 79 | 2.00 | 189.15 | 79 | |
| 243.75 | 77 | 0.21 | 243.75 | 77 | |
| 250.90 | 77 | 2.86 | 250.90 | 58 | |
| 3,266.25 | 54 | 0.28 | 3,266.25 | 53 | |
| 101.59 | 37,856 | 3.66 | 100.01 | 36,875 | |

The following table is a summary of the Company's share options outstanding as at December 31, 2022:

| Options outstanding | | | Options exercisable | | |
|-----------------------|-------------------------|--|-----------------------|-------------------------|--|
| Exercise price C\$ | Number outstanding # | Weighted average remaining contractual life [years] # | Exercise price C\$ | Number exercisable # | |
| 84.50 | 923 | 2.58 | 84.50 | 923 | |
| 110.50 | 1,592 | 2.21 | 110.50 | 1,592 | |
| 146.25 | 2,598 | 1.04 | 146.25 | 2,598 | |
| 169.85 | 195 | 0.49 | 169.85 | 195 | |
| 189.15 | 79 | 3.00 | 189.15 | 79 | |
| 243.75 | 77 | 1.21 | 243.75 | 77 | |
| 250.90 | 77 | 3.86 | 250.90 | 42 | |
| 352.76 | 250 | 0.49 | 352.76 | 250 | |
| 692.45 | 57 | 0.49 | 692.45 | 57 | |
| 849.23 | 167 | 0.49 | 849.23 | 167 | |
| 875.36 | 22 | 0.49 | 875.36 | 22 | |
| 1,045.20 | 283 | 0.49 | 1,045.20 | 283 | |
| 1,162.79 | 64 | 0.49 | 1,162.79 | 64 | |
| 3,266.25 | 55 | 1.28 | 3,266.25 | 55 | |
| 241.47 | 6,439 | 1.52 | 241.42 | 6,404 | |

[ii] Performance Share Units ("PSUs") and Restrictive Share Units ("RSUs")

In May 2022, the Company established a performance share unit plan ("PSU Plan") and a restrictive unit plan ("RSU Plan"), for directors, officers, employees and consultants of the Company. The Company's Board determines the eligibility of individuals to participate in the PSU Plan and RSU Plan to align their interests with those of the Company's shareholders.

No amounts are paid or payable by the individual on receipt of the PSUs and RSUs. Each PSU and RSU converts into one Class B Subordinate Voting Share of the Company at \$nil exercise price. The Company's PSU Plan and RSU Plan provides that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding unless the Board has increased such limit by a Board resolution.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

PSUs

There were no PSUs issued during the year ended December 31, 2024. As at December 31, 2024, there were no PSUs outstanding (December 31, 2023 – Nil and December 31, 2022 - 37,232).

During the year ended December 31, 2023, the Company converted 41,848 PSUs to Class B Subordinate Voting Shares. The PSUs were fully vested as of January 6, 2023, upon the filing of the MS Phase 1 IND. During the year ended December 31, 2023, 1,538 PSUs related to a former independent director who are no longer with the Company were forfeited.

The change in the number of PSUs during the year ended December 31, 2024, is as follows:

| | Number of PSUs # |
|---|---------------------|
| Outstanding as at December 31, 2021 | — |
| Granted | 43,386 |
| Converted to Class B Common shares | (6,154) |
| Outstanding as at December 31, 2022 | 37,232 |
| Granted | 6,154 |
| Forfeited | (1,538) |
| Converted to Class B Common shares | (41,848) |
| Outstanding as at December 31, 2024 and 2023 | — |

RSUs

On February 23, 2024, the Company granted 846 RSUs pursuant to the shares for debt transaction (Note 15). The RSUs vested immediately upon grant and 846 Class B Subordinate Voting Shares were issued with a total fair value of \$49,665, which was determined based on the share price of the Company on the date of the grant.

On August 23, 2024, the Company granted an aggregate of 32,690 RSUs at a price of \$4.21 per unit for a total value of \$137,625 based on the share price at the date of issuance. Each RSU granted vests the earlier of: (i) one year; and (ii) the successful implementation of the MS MAD study conducted by Ingenu of Australia, subject to acceleration in the event of a takeover bid or change of control. During the year ended December 31, 2024, the Company recognized \$49,057 as share-based compensation expense and contributed surplus.

On September 6, 2024, the Company granted 7,500 RSUs at a price of \$4.13 per unit for a total value of \$31,009 based on the share price at the date of issuance, which was recognized as share-based compensation expense. The RSUs vested immediately upon issuance and 7,500 Class B Subordinate Voting Shares were issued for the same value.

The change in the number of RSUs during the year ended December 31, 2024, is as follows:

| | Number of RSUs # |
|--|---------------------|
| Outstanding as at December 31, 2023 | — |
| Granted | 41,036 |
| Converted to common shares | (8,346) |
| Outstanding as at December 31, 2024 | 32,690 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The Company recognized share-based compensation as follows for the years ended December 31, 2024, 2023 and 2022:

| | 2024 \$ | 2023 \$ | 2022 \$ |
|-----------------------|----------------|------------------|------------------|
| Share options | 72,149 | 1,951,757 | 69,780 |
| RSUs | 80,065 | — | — |
| PSUs | — | 458,253 | 1,291,978 |
| Shares for services | — | 36,000 | 169,500 |
| Warrants for services | — | 1,372,763 | — |
| Other (i) | — | 16,702 | — |
| | 152,214 | 3,835,475 | 1,531,258 |

i) Share-based compensation related to share options and restricted share units issued by Celly and convertible into common shares of Celly.

17. Non-controlling interests

Through the License Agreement, Quantum acquired 34.66% of Celly on July 31, 2023. As of December 31, 2024, the Company has a 22.95% (December 31, 2023 – 26.15%) ownership interest in Celly through common shares held in Celly. The non-controlling interest represents the common shares of Celly not attributable to the Company.

Reconciliation of non-controlling interest is as follows:

| | \$ |
|--|--------------------|
| Balance, December 31, 2022 | — |
| Initial recognition of non-controlling interests | (24,467) |
| Share-based payments | 16,702 |
| Dividend | 8,673 |
| Net loss for the year | (328,409) |
| Balance, December 31, 2023 | (327,501) |
| Net loss for the year | (712,805) |
| Balance, December 31, 2024 | (1,040,306) |

18. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

For all the years presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of warrants, share options, PSUs and RSUs. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but would have decreased the loss per share (anti-dilutive) for the years ended December 31, 2024, 2023, and 2022 are as follows:

| | December 31, 2024 # | December 31, 2023 # | December 31, 2022 # |
|---------------|------------------------|------------------------|------------------------|
| Warrants | 210,370 | 158,831 | 99,725 |
| Share Options | 42,456 | 37,856 | 6,439 |
| RSUs | 32,690 | — | — |
| PSUs | — | — | 37,232 |
| | 285,516 | 196,687 | 143,396 |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

19. General and administrative

Components of general and administrative expenses for the years ended December 31, 2024, 2023 and 2022 were as follows:

| | 2024 | 2023 | 2022 |
|---|-----------|-----------|------------|
| | \$ | \$ | \$ |
| Professional fees | 3,074,130 | 3,248,233 | 5,208,356 |
| Investor relations | 1,748,242 | 665,915 | 1,495,695 |
| Salaries, wages and benefits (Note 15[1]) | 2,658,364 | 1,855,087 | 2,798,074 |
| Consulting fees | 797,863 | 1,305,434 | 1,452,070 |
| Office and general administrative | 879,272 | 2,294,476 | 2,838,303 |
| Foreign exchange loss (gain) | 252,226 | (336,421) | 1,323,242 |
| Building and facility costs | - | - | 519,954 |
| | 9,410,097 | 9,032,724 | 15,635,694 |
| Allocated to: | | | |
| Continuing operations | 9,410,097 | 9,032,724 | 14,450,094 |
| Discontinued operations | - | - | 1,185,600 |

20. Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, with appropriate aggregation. The chief operating decision maker is the CEO who is responsible for allocating resources, assessing the performance of the reportable segment and making key strategic decisions. The Company operates in two segments: Biopharmaceutical and Strategic Investments.

The Company's Biopharmaceutical segment is focused on furthering the research and development of the Company's drug candidates and the development of a treatment for alcohol misuse for application in hospitals and other medical practices. The Biopharmaceutical segment primarily earns interest income on excess cash on hand invested in short-term guaranteed investment certificates.

The Company's Strategic Investments segment is focused on generating returns and cash flow through the issuance of loans secured by residential property, with FSD Strategic Investments having a first or second collateral mortgage on the secured property.

The following tables summarize the Company's total current and non-current assets and current and non-current liabilities as of December 31, 2024, and 2023, on a segmented basis:

| | As at December 31, 2024 | | |
|-------------------------|-------------------------|-----------------------|------------|
| | Biopharmaceutical | Strategic Investments | Total |
| | \$ | \$ | \$ |
| Current assets | 8,620,407 | 3,432,340 | 12,052,747 |
| Non-current assets | 5,066,477 | — | 5,066,477 |
| Current liabilities | 6,678,992 | — | 6,678,992 |
| Non-current liabilities | — | — | — |

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

| As at December 31, 2023 | | | |
|-------------------------|-------------------|-----------------------|------------|
| | Biopharmaceutical | Strategic Investments | Total |
| | \$ | \$ | \$ |
| Current assets | 3,897,317 | 7,187,988 | 11,085,305 |
| Non-current assets | 5,482,157 | 907,366 | 6,389,523 |
| Current liabilities | 4,565,566 | — | 4,565,566 |
| Non-current liabilities | — | — | — |

The following tables summarize the Company's interest income, total operating expenses, and net loss for the years ended December 31, 2024, and 2023 on a segmented basis:

| For the years ended December 31, 2024 | | | |
|---------------------------------------|-------------------|-----------------------|--------------|
| | Biopharmaceutical | Strategic Investments | Total |
| | \$ | \$ | \$ |
| Interest expense (income) | (14,695) | (558,196) | (572,891) |
| Total operating expenses | 16,135,899 | 361 | 16,136,260 |
| Net (loss) income | (15,473,364) | 557,835 | (14,915,529) |

| For the years ended December 31, 2023 | | | |
|---------------------------------------|-------------------|-----------------------|--------------|
| | Biopharmaceutical | Strategic Investments | Consolidated |
| | \$ | \$ | \$ |
| Interest income | (675,731) | (110,632) | (786,363) |
| Total operating expenses | 23,169,675 | 619,823 | 23,789,498 |
| Net (loss) | (18,204,886) | (25,702) | (18,230,588) |

21. Commitments and contingencies

Commitments

Lucid-MS Agreement

The Company has entered into a license agreement that governs the Lucid-MS compound. Under the terms of the agreement, the Company shall pay a yearly license maintenance fee of C\$100,000 until the first commercial sale of a product is made.

Under the agreement the Company is committed to minimum milestone payments of \$nil and maximum milestone payments of C\$12,500,000 if all product development and regulatory milestones are met. Furthermore, the Company is also responsible for paying revenue milestone payments and royalties if revenue milestones from commercial sales are achieved. Milestones can be extended by mutual agreement. No payments have been made to date related to these milestones.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Contingencies

Legal Matters

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to the consolidated statements of loss and comprehensive loss in that year.

GBB Drink Lab, Inc.

On May 12, 2023, the Company announced receipt of a lawsuit filed in S.D. Fla. by GBB against the Company, alleging breach of a mutual non-disclosure agreement and misappropriation of trade secrets. GBB claims that its assets were, as of August 30, 2022 (prior to the misappropriation and material breach) valued at US\$53,047,000. The Company believes the allegations are without merit and continues to defend itself in the lawsuit.

On June 23, 2023, the Company filed a motion to dismiss the complaint. On July 3, 2023, GBB responded in opposition to the Company's motion to dismiss the complaint. The Motion to Dismiss the Amended Complaint filed on June 23, 2023, has been fully briefed and is awaiting adjudication by S.D. Fla. On August 24, 2023, the parties filed a proposed joint scheduling report with the S.D. Fla., which set forth various deadlines that would govern this action. Under the proposed joint schedule, the case was to be trial-ready by November 30, 2024. On January 8, 2024, the S.D. Fla. Dismissed the Company's request for a motion to dismiss the lawsuit.

On January 22, 2024, the Company filed a third-party complaint against Joseph Romano (a former director of the Company), and a counterclaim against GBB. The Company alleges that Mr. Romano breached his fiduciary duty by providing or fabricating confidential information to GBB, and that GBB aided and abetted this breach. On October 9, 2024, Judge Melissa Damian denied Mr. Romano's motion to dismiss, finding that the Company plausibly alleged Romano breached fiduciary duties, including his duties of loyalty, confidentiality, and to act in the Company's best interests. GBB and Romano have denied the allegations in their respective answers.

As of March 17, 2025, the parties are finalizing documents to be used in discovery in advance of a May 1, 2025, deadline. Under the proposed schedule, the parties are required to participate in a mediation process by June 18, 2025. The case is expected to be trial-ready by September 2025.

Raza Bokhari

On July 15, 2021, the Company's former CEO, Raza Bokhari, filed a notice of arbitration seeking relief and support for breach of contract and severance and damages in the amount of \$30,200,000, for aggravated and punitive damages in the amount of \$500,000 and legal fees and disbursements associated with the arbitration.

Raza Bokhari was placed on administrative leave from his role as the Company's Chief Executive Officer following the Company's annual general and special meeting of shareholders on May 14, 2021, pending the outcome of an investigation of various concerns by a Special Committee comprised of independent directors using independent legal counsel. Upon the recommendation of the Special Committee, Raza Bokhari's employment was terminated for cause by the Company's board on July 27, 2021.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The Company disputed the allegations and counterclaimed against Raza Bokhari for losses sustained as a result of his alleged breaches of his duties to the Company. The arbitration hearing concluded in August 2022 and the arbitrator issued his decision in November 2022. Raza Bokhari's claim for USD \$30.2 million was dismissed along with his claim that he had been wrongfully dismissed. The arbitrator ordered that Raza Bokhari repay certain monies to Quantum, while also holding him responsible for Quantum's costs of the arbitration.

On December 9, 2022, Raza Bokhari filed an application in the Ontario Superior Court seeking to set aside the arbitral award of the court on the grounds that he was not treated equally and fairly and the arbitrator's written award provided inadequate reasons for his decision.

On December 20, 2022, the Company's legal counsel wrote to the Commercial List of the Ontario Superior Court of Justice seeking to transfer the application from the Civil List to the Commercial List. The request was granted on January 12, 2023.

On April 28, 2023, the court ordered the case to be heard at the Commercial List on September 27, 2023.

On September 27 and 28, 2023, the application to set aside the award and cost of ground of unfairness was dismissed. As Raza Bokhari lost the set aside application, the court ordered Raza Bokhari to pay the Company C\$165,000 to cover the Company's legal expenses.

On October 13, 2023, Raza Bokhari filed a "Notice of Motion for Leave to Appeal" with the Court of Appeal for Ontario.

On December 15, 2023, the Company submitted a responding party's factum to the Court of Appeal for Ontario.

On February 6, 2024, the Ontario Superior Court of Justice affirmed the judgment and awarded an additional C\$5,000 in costs considering Raza Bokhari's failed motion for leave to appeal. As of the date hereof, the litigation is ongoing.

On May 31, 2024, the United States District Court for the Eastern District of Pennsylvania confirmed Quantum's Petition to Confirm Arbitration Awards entered against Dr. Raza Bokhari.

On June 27, 2024, the US District Court for the Eastern District of Pennsylvania confirmed Quantum's motion for entry of judgment and granted judgment in favor of Quantum of approximately USD \$3 million.

Deferred Income

On December 24, 2024, the Company entered into a Prepaid Forward Purchase Agreement (the "Purchase Agreement") with Sports Coat LLC ("Buyer"). Under the terms of the agreement, the Buyer agreed to provide financing of US\$1,000,000 to the Company in exchange for the right to receive a portion of the proceeds from certain ongoing litigations.

These litigations include, but are not limited to:

- Claims related to market manipulation involving FSD Pharma Inc, Quantum Biopharma Ltd., or any related entity; and
- Claims involving Raza Bokhari

The financing provided under the Purchase Agreement is non-recourse, which stipulates that the Company is not obligated to repay the US\$1,000,000 if no proceeds are realized from the litigations. The Buyer assumes the risk of loss in the event of non-collection of litigation proceeds. The agreement does not include a predefined repayment schedule, a specified due date, or a general pledge of the Company's assets as collateral for repayment.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

The Purchase Agreement specifies events of default, including failure to pay amounts due, breach of material terms, termination of legal representation without cause, misrepresentation, misappropriation of litigation proceeds, insolvency, or challenges to the agreement's validity. In such cases, the Buyer may declare the full amount immediately due and enforce its security interest.

The Company received the full US\$1,000,000, which has been recorded as deferred income. Due to the uncertainty surrounding the timing of the litigation outcomes, the amount is classified as a current liability.

22. Related party transactions

Related parties and related party transactions impacting the consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Transactions with key management and directors comprise the following:

- a) Director's compensation for the year ended December 31, 2024, was \$161,048 (2023 – \$175,140 and 2022 - \$215,104).
- b) During the year ended December 31, 2024, the Company granted Nil (2023 – 6,154 and 2022 – 43,386) PSUs to independent members of the Board. As at December 31, 2024, the PSUs had fully vested upon the filing of the MS Phase 1 IND on January 6, 2023 and were settled with the issuance of Class B Subordinate Voting Shares.
- c) During the year ended December 31, 2024, the Company granted 23,000 options to officers and employees of the Company each with exercise prices ranging from C\$5.25 to C\$5.60 and expiring two years from date of issuance.
- d) During the year ended December 31, 2024, the Company cancelled 30,768 options held by officers and employees of the company. They issued RSU of 30,768 in replacement of the cancelled options.
- e) During the year ended December 31, 2024, the Company granted the Co-Chairman of the board, the CEO and the current CFO total shares of 248,160 with a fair value of \$1,017,456 as bonus for the year.
- f) During the year ended December 31, 2023, the Company granted the previous interim CEO, the current CEO, the Chief Operating Officer ("COO") and the CEO of Lucid, 7,692 share options each with an exercise price of C\$84.50 and an expiry date of January 25, 2028. All options were fully vested on grant. Each share option can be exercised to acquire one Class B Subordinate Voting Share.
- g) On August 15, 2024, the Company closed a non-brokered private placement and issued 4 Class A Multiple Voting Shares at a price of C\$18 per Class A Multiple Voting Share for aggregate gross proceeds of C\$72 to Xorax and Fortius, with each entity receiving 2 Class A Multiple Voting Shares.
On September 13, 2024, the Company closed a non-brokered private placement and issued 6 Class A Multiple Voting Shares at a price of \$6 per Class A Multiple Voting Share for gross proceeds of C\$36 to Xorax and Fortius, with each entity receiving 3 Class A Multiple Voting Shares.
- h) During the year ended December 31, 2023, the Company entered into a secured loan agreement with the CEO for C\$1,200,000, with monthly payments of C\$6,000 based on an annual interest rate of 6%. The loan had a maturity date of April 26, 2025, and was part of FSD Strategic Investments' portfolio of finance receivables. During the year ended December 31, 2024, a payment of C\$400,000 was made by the CEO, and monthly payments were subsequently reduced to C\$4,000. Subsequent to December 31, 2024, the CEO made a payment of C\$800,000 towards the loan, thereby settling the total debt outstanding owed to FSD Strategic Investments (Note 26).

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

- i) During the year ended December 31, 2023, the Company issued 15,385 warrants for consulting services to certain independent members of the Board of Directors with a fair value of \$533,206, prior to them joining the Board of Directors. The Company determined the fair value of the services received could not be measured reliably and determined the fair value using the Black-Scholes model.
- j) For the year ended December 31, 2023, the Company reimbursed \$145,081 to a related party of the CEO, President, and Executive Co-Chairman of the Board for legal expenses

Key management personnel compensation during the years ended December 31, 2024, and 2023 is comprised of:

| | 2024 | 2023 | 2022 |
|---|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Salaries, benefits, bonuses and consulting fees | 908,052 | 1,395,096 | 1,839,441 |
| Share-based payments | 1,085,669 | 1,980,732 | 1,345,952 |
| | 1,993,721 | 3,375,828 | 3,185,393 |

As at December 31, 2024, the Company owed an executive officer \$Nil (December 31, 2023 - \$140,012), for legal fees incurred by the Company and paid by the executive officer on behalf of the Company. The amount owed is recorded within trade and other payables.

As at December 31, 2024, the Company has \$Nil owing to related parties included in accounts payable and accrued liabilities (December 31, 2023 - \$Nil).

23. Capital Management

The Company defines capital as the aggregate of its capital stock and borrowings and convertible debentures.

As at December 31, 2024, the Company's share capital was \$150,470,325 (December 31, 2023 – \$137,778,485). The Company does not have any long-term debt.

The Company manages its capital structure in accordance with changes in economic conditions. To maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares or undertake any other activities as deemed appropriate under specific circumstances. The Company is not subject to any externally imposed capital requirements. There were no changes in capital management during the years ended December 31, 2024 and 2023.

24. Discontinued operations

In March 2020, the Company decided to focus its efforts and resources on the pharmaceutical business and initiated the process to exit the medical cannabis industry and sell FV Pharma's facility located at 520 William Street, Cobourg, Ontario, K9A 3A5 (the "Facility") and the 64-acre property on which the Facility is located (the "Facility Property"). On May 6, 2022, the Company closed the sale of the Facility and the Facility Property for total consideration of \$12,730,942 (C\$16,400,000). The Company recognized a gain of \$4,249,582 on the sale of the Facility and the Facility Property and incurred selling expenses of \$616,002 for the year ended December 31, 2022.

Results of operations related to the Disposal Group are reported as discontinued operations for the year ended December 31, 2022.

Net income from discontinued operations for the year ended December 31, 2022 is comprised of the following:

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

\$

| | |
|---|--------------------|
| Expenses | |
| General and administrative | 1,185,600 |
| Total operating expenses | 1,185,600 |
| Loss from discontinued operations | (1,185,600) |
| Other income | (32,852) |
| Gain on sale of property and plant | (4,249,582) |
| Net income (loss) from discontinued operations | 3,096,834 |

25. Financial Instruments and Risk Management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding other receivables and finance receivables. The Company trades only with recognized, creditworthy third parties.

The Company does not hold any collateral as security for its outstanding finance receivables but mitigates this risk by dealing only with, what management believes to be, financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The loans are secured by real estate properties and the Company is granted a first or second collateral charge mortgage on the properties for a sum equal to the interest payments plus the principal amount. The Company performs assessments on factors such as: timing of payments, loan to value, communications with the borrower and external macro factors such as interest rates and economic conditions to mitigate risks.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables and notes payables are all due within twelve months from the date of these financial statements.

If unanticipated events occur that impact the Company's ability to carry out the planned clinical trials, the Company may need to take additional measures to increase its liquidity and capital resources, including issuing debt or additional equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from Canadian dollar denominated cash, investments and trade and other payables. A 1% change in the foreign exchange rates would not result in any significant impact to the financial statements.

- Interest rate risk

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any material long-term borrowings outstanding subject to variable interest rates. Therefore, the Company is not exposed to interest rate risk as at December 31, 2024.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at December 31, 2024.

Fair values

The carrying values of cash, other receivables, trade and other payables and notes payable approximate fair values due to the short-term nature of these items or they are being carried at fair value or, for notes payable, interest payables are close to the current market rates. The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

26. Income taxes

The reconciliation of income tax expense for the years ended December 31, 2024, 2023 and 2022 consists of the following:

| | 2024 | 2023 | 2022 |
|---|---------------------|--------------|--------------|
| | \$ | \$ | \$ |
| Loss from continuing operations before income taxes | (14,915,529) | (18,230,588) | (26,703,662) |
| Statutory federal and provincial tax rate | 26.50% | 26.50% | 26.50% |
| Income tax recovery at the statutory tax rate | (3,952,615) | (4,831,106) | (7,076,470) |
| Permanent differences | (118,813) | 2,557,822 | 1,639,590 |
| Book to filing adjustments | — | (119,668) | 438,255 |
| Share issuance cost booked directly to equity | (126,188) | — | — |
| Impact of tax rate changes | (197,652) | (42,277) | — |
| Foreign exchange | 2,250,728 | (582,404) | 1,044,135 |
| Change in tax benefits not recognized | 2,144,540 | 3,017,633 | 3,954,490 |
| | — | — | — |

Deferred tax assets have not been recognized in respect of the following temporary differences as at December 31, 2024 and 2023:

| | 2024 | 2023 | 2022 |
|----------------------------------|--------------------|-------------|------------|
| | \$ | \$ | |
| Non-capital losses - Canada | 96,555,590 | 88,880,329 | 77,271,986 |
| Net-operating loss - US | 5,073,167 | 5,073,156 | 5,120,395 |
| Unrealized foreign exchange loss | — | — | 94,733 |
| Share-issuance costs | 631,807 | 1,046,314 | 2,045,027 |
| Capital losses carried forward | 3,248,902 | 3,534,651 | — |
| Other investments | 2,320,154 | 2,528,002 | 5,542,253 |
| IFRS 16 | 294 | 5,814 | 37,439 |
| Property, plant and equipment | 1,249,717 | 849,854 | 324,798 |
| Total | 109,079,631 | 101,918,120 | 90,436,631 |

The Company's Canadian non-capital income tax losses expire as follows:

| | | |
|------------|-----------|-------------------|
| 2038 | \$ | 5,702,162 |
| 2039 | | 10,100,844 |
| 2040 | | 20,283,487 |
| 2041 | | 18,140,317 |
| 2042 | | 19,006,739 |
| 2043 | | 6,846,306 |
| 2044 | | 10,245,472 |
| Indefinite | | 6,230,263 |
| | \$ | 96,555,590 |

The Company has cumulative US federal net operating loss carryforwards of approximately \$5.07 million which will start to expire in 2026. Utilization of net operating loss carryforwards may be subject to limitations in the event of a change in ownership pursuant to United States Internal Revenue Code ("IRC") § 382, and similar state provisions. As a result of the acquisition of Prismic on June 28, 2019, the preacquisition net operating loss carryforwards of approximately \$4.93 million could be subject to IRC § 382 limitation as the acquisition could constitute a change of ownership.

QUANTUM BIOPHARMA LTD. (FORMERLY, FSD PHARMA INC.)

Notes to the consolidated financial statements

[expressed in United States dollars]

For the years ended December 31, 2024, 2023, and 2022

27. Subsequent Events

The following events took place subsequent to December 31, 2024:

- On January 6, 2025, the Company successfully settled its outstanding debt to a creditor, which was previously reported on the statement of financial position at approximately US\$659,000.
- On January 20, 2025, the Company issued an additional 1,480 Debenture Units, raising a total amount of C\$1,480,000 under the non-brokered private placement offering announced on December 5, 2024. This third tranche was completed under amended terms, including a reduced conversion price of C\$4.85 per share, an increased warrant ratio of 103.093 Warrants per Debenture Unit, and a reduced exercise price of C\$5.25 per Warrant share.
- On February 4, 2025, Celly Nutrition signed a letter of engagement with a leading New York Investment Bank to raise up to US\$10,000,000 in capital and explore an initial public offering on a major U.S. exchange.
- On February 18, 2025, the Company secured an additional loan facility of AU\$700,000, through its subsidiary, Huge Biopharma.
- On March 4, 2025, the CEO repaid C\$800,000 towards his outstanding loan, classified under FSD Strategic Investments' portfolio of residential property investments, thereby fully settling the debt owed to the Company. As of the date of this report, the CEO has no remaining obligations to the Company.
- On March 5, 2025, and March 11, 2025, the Company expanded its portfolio of residential mortgages by issuing two new mortgage loans, each with a principal amount of C\$100,000 with a maturity of one year.
- On March 6, 2025, the Company closed the fourth tranche of the December 2024 Offering and issued 100 January 2025 Debenture Units for aggregate gross proceeds of C\$100,000. On March 25, 2025, the investor converted this Debenture into an aggregate of 25,257 Class B Subordinate Voting Shares.
- On March 20, 2025, the Company successfully expanded its cryptocurrency holdings to a total value of US\$3,500,000.
- On March 27, 2025, the Company appointed Terry Lynch to the Board to replace Dr. Sanjiv Chopra.