FSD Pharma Inc.

Consolidated financial statements

For the years ended December 31, 2022, 2021 and 2020
(expressed in United States dollars, except per share amounts)

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of FSD Pharma Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of FSD Pharma Inc. (the "Company") as of December 31, 2022 and 2021 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, 2022, 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, 2022 and 2021, 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, 2022, in conformity with International Financial Reporting 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 audit. 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 audit 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 audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

MNP LLP

Chartered Professional Accountants;
Licensed Public Accountants

We have served as the Company's auditor since 2019.
Toronto, Canada
March 31, 2023

FSD PHARMA INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[expressed in United States dollar]

As at	Notes	**December 31, 2022** $	**December 31, 2021** $
ASSETS			
Current assets			
Cash and cash equivalents		**16,980,472**	35,259,645
Other receivables	6	**374,377**	500,964
Prepaid expenses and deposits	7	**472,137**	1,366,421
Investments	9	**—**	158,036
Net investment in lease		**23,188**	—
		17,850,174	37,285,066
Assets held for sale	5	**—**	8,647,779
		17,850,174	45,932,845
Non-current assets			
Equipment, net		**105,729**	—
Investments	9	**827,612**	660,226
Right-of-use asset, net	10	**155,196**	168,307
Finance receivables, net	8	**7,431,656**	—
Intangible assets, net	11	**12,040,289**	16,201,739
		38,410,656	62,963,117
LIABILITIES			
Current liabilities			
Trade and other payables	12	**7,108,419**	7,510,771
Lease obligations	13	**177,870**	124,311
Warrants liability	14	**243,594**	765,403
Notes payable		**300,549**	300,549
		7,830,432	8,701,034
Non-current liabilities			
Lease obligations	13	**38,004**	131,045
		7,868,436	8,832,079
SHAREHOLDERS' EQUITY			
Class A share capital	15	**151,588**	151,588
Class B share capital	15	**143,258,972**	152,173,089
Warrants	15	**2,142,400**	5,137,417
Contributed surplus		**28,500,924**	22,583,649
Foreign exchange translation reserve		**652,601**	239,612
Accumulated deficit		**(144,164,265)**	(126,154,317)
		30,542,220	54,131,038
		38,410,656	62,963,117
Commitments and contingencies	21		
Subsequent events	25		

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

On behalf of the Board:

"Signed"
Director - Donal Carroll

"Signed"
Director - Nitin Kaushal

FSD 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	**2022** $	2021 $	2020 $
Expenses				
General and administrative	18	**14,450,094**	15,926,103	10,058,083
External research and development fees		**6,910,844**	6,328,104	7,832,847
Share-based payments	16	**1,531,258**	7,443,930	8,052,011
Depreciation and amortization	10 & 11	**4,537,415**	4,045,523	3,900,458
Legal provision		**—**	—	757,829
Impairment of right-of-use asset		**—**	—	89,860
Total operating expenses		**27,429,611**	33,743,660	30,691,088
Loss from continuing operations		**(27,429,611)**	(33,743,660)	(30,691,088)
Interest income	19	**(367,735)**	(1,292)	(3,691)
Finance expense, net		**48,822**	69,404	235,581
Gain on settlement of financial liability		**(119,453)**	(49,792)	(680,164)
Gain on change in fair value of derivative liability	14	**(521,809)**	(682,507)	(2,561,456)
Loss on changes in fair value of investments	9	**234,226**	858,483	770,874
Net loss from continuing operations		**(26,703,662)**	(33,937,956)	(28,452,232)
Net income (loss) from discontinued operations	5	**3,096,834**	(1,347,473)	(3,347,561)
Net loss		**(23,606,828)**	(35,285,429)	(31,799,793)
Other comprehensive loss				
Items that may be subsequently reclassified to loss:				
Exchange gain on translation of foreign operations		**412,989**	31,815	292,573
Comprehensive loss		**(23,193,839)**	(35,253,614)	(31,507,220)
Net (loss) income per share				
Basic and diluted - continuing operations	17	**(0.69)**	(0.97)	(2.36)
Basic and diluted - discontinued operations	17	**0.08**	(0.04)	(0.28)
Weighted average number of shares outstanding – basic and diluted	17	**38,732,381**	34,945,210	12,043,961

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

FSD PHARMA INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the years ended December 31, 2022, 2021 and 2020
[expressed in United States dollar, except number of shares]

	Class A shares		Class B shares		Warrants		Contributed surplus	Foreign exchange translation reserve	Accumulated deficit	Total
	#	$	#	$	#	$	$	$	$	$
Balance, December 31, 2019	**72**	**151,588**	**7,905,727**	**73,586,337**	**467,451**	**4,321,989**	**17,371,434**	**(84,776)**	**(59,069,095)**	**36,277,477**
Shares issued [note 15]	—	—	8,925,942	22,242,975	6,335,758	1,110,904	(1,302,076)	—	—	22,051,803
Share-based payments [note 16]	—	—	2,307,569	6,663,479	—	—	2,763,482	—	—	9,426,961
Share options exercised	—	—	22,382	563,747	—	—	(504,185)	—	—	59,562
Warrants expired	—	—	—	—	(54,100)	(463,935)	463,935	—	—	—
Comprehensive loss for the period	—	—	—	—	—	—	—	292,573	(31,799,793)	(31,507,220)
Balance, December 31, 2020	**72**	**151,588**	**19,161,620**	**103,056,538**	**6,749,109**	**4,968,958**	**18,792,590**	**207,797**	**(90,868,888)**	**36,308,583**
Shares issued [note 15]	—	—	15,480,462	38,341,407	—	—	—	—	—	38,341,407
Share-based payments [note 16]	—	—	1,462,558	3,751,412	100,000	98,513	3,594,006	—	—	7,443,931
Share cancelation [note 15]	—	—	(156,278)	—	—	—	—	—	—	—
Lucid acquisition [note 4]	—	—	4,502,392	7,023,732	112,162	70,563	196,436	—	—	7,290,731
Warrants expired	—	—	—	—	(4,476)	(617)	617	—	—	—
Comprehensive loss for the period	—	—	—	—	—	—	—	31,815	(35,285,429)	(35,253,614)
Balance, December 31, 2021	**72**	**151,588**	**40,450,754**	**152,173,089**	**6,956,795**	**5,137,417**	**22,583,649**	**239,612**	**(126,154,317)**	**54,131,038**
Share repurchase [note 15]	—	—	(1,999,800)	(7,523,117)	—	—	—	—	5,596,880	(1,926,237)
Share-based payments [note 16]	—	—	158,144	169,500	—	—	1,361,758	—	—	1,531,258
Share cancellation [note 15]	—	—	(504,888)	(1,752,090)	—	—	1,752,090	—	—	—
Warrants expired	—	—	—	—	(474,702)	(2,995,017)	2,995,017	—	—	—
PSUs converted to shares [note 16]	—	—	400,000	191,590	—	—	(191,590)	—	—	—
Comprehensive loss for the period	—	—	—	—	—	—	—	412,989	(23,606,828)	(23,193,839)
Balance, December 31, 2022	**72**	**151,588**	**38,504,210**	**143,258,972**	**6,482,093**	**2,142,400**	**28,500,924**	**652,601**	**(144,164,265)**	**30,542,220**

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

FSD PHARMA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022, 2021 and 2020
[expressed in United States dollar]

	2022 $	2021 $	2020 $
Operating activities			
Net loss from continuing operations	**(26,703,662)**	(33,937,956)	(28,452,232)
Add (deduct) items not affecting cash			
Depreciation and amortization	**4,534,586**	4,045,523	3,900,458
Impairment of right-of-use asset	**—**	—	89,860
Interest expense	**63,411**	69,404	7,860
Share-based payments	**1,531,258**	7,443,930	8,052,011
Change in fair value of investments	**234,226**	858,483	770,874
Change in fair value of derivative liability	**(521,809)**	(682,507)	(2,561,456)
Unrealized foreign exchange loss (gain)	**934,100**	—	(327,161)
Gain on settlement of financial liability	**(119,453)**	(49,792)	(680,164)
Gain on net investment in lease	**(22,619)**	—	—
Changes in non-cash working capital balances			
Finance receivables	**(7,431,656)**	—	—
Other receivables	**215,175**	(106,880)	435,183
Prepaid expenses and deposits	**795,930**	(609,153)	(526,738)
Trade and other payables	**(699,778)**	3,604,766	898,691
Cash used in continuing operating activities	**(27,190,291)**	(19,364,182)	(18,392,814)
Cash used in discontinued operating activities	**(1,142,982)**	(1,382,041)	(737,659)
Cash used in operating activities	**(28,333,273)**	(20,746,223)	(19,130,473)
Investing activities			
Cash acquired from acquisition of Lucid Psycheceuticals Inc.	**—**	768,964	—
Purchase of investments	**(401,612)**	—	—
Purchase of equipment	**(113,958)**	—	—
Additions to intangible assets	**(250,000)**	(500,000)	—
Proceeds from sale of investments	**158,036**	—	6,477,510
Cash (used in) provided by continuing investing activities	**(607,534)**	268,964	6,477,510
Cash provided by discontinued investing activities	**12,730,942**	—	36,616
Cash provided by investing activities	**12,123,408**	268,964	6,514,126
Financing activities			
Share repurchase	**(1,926,237)**	—	—
Proceeds from issuance of shares, net	**—**	38,341,407	25,100,459
Proceeds from exercise of share-options	**—**	—	59,548
Repayment of notes payable	**—**	(71,759)	(946,643)
Payment of lease obligation	**(143,071)**	(57,566)	(39,993)
Cash (used in) provided by continuing financing activities	**(2,069,308)**	38,212,082	24,173,371
Cash provided by discontinued financing activities	**—**	—	—
Cash (used in) provided by financing activities	**(2,069,308)**	38,212,082	24,173,371
Net (decrease) increase	**(18,279,173)**	17,734,823	11,557,024
Cash and cash equivalents, beginning of the year	**35,259,645**	17,524,822	5,967,798
Cash and cash equivalents, end of the year	**16,980,472**	35,259,645	17,524,822

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

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

1. Nature of business

FSD Pharma Inc. (“FSD” or the “Company”) is a biotechnology company with three drug candidates in different stages of development. FSD Biosciences Inc., a wholly-owned subsidiary, is focused on pharmaceutical research and development ("R&D") of its lead compound, ultra-micronized palmitoylethanolamide (“PEA”) or FSD-PEA (also known as FSD-201). Through the Company’s wholly owned subsidiary, Lucid Psycheceuticals Inc. (“Lucid”), the Company is also focused on the research and development of its lead compounds, Lucid-PSYCH (also known as Lucid-201) and Lucid-MS (also known as Lucid-21-302). PEA, the active substance in FSD-PEA, interacts with the endocannabinoid system in the body and exhibits anti-inflammatory activities. Lucid PSYCH is a molecular compound identified for the potential treatment of mental health disorders. Lucid-MS is a molecular compound identified for the potential treatment of neurodegenerative disorders.

FV Pharma Inc. (“FV Pharma”), a wholly owned subsidiary of the Company, was a licensed producer of cannabis in Canada under the Cannabis Act (Canada) (together with the regulations promulgated thereunder (the "Cannabis Regulations"), the "Cannabis Act") and associated Cannabis Regulations. FV Pharma surrendered its cannabis license in July 2020 and suspended all activities in September 2020. 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 (refer to Note 5).

On May 13, 2022, FSD Strategic Investments Inc. (“FSD Strategic Investments”), a wholly owned subsidiary of the Company, was incorporated. FSD Strategic Investments is focused on generating returns and cashflow through the issuance of loans secured by residential or commercial property, with FSD Strategic Investments having a first collateral mortgage on the secured property.

The Company’s registered office is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9.

Subsidiaries

These audited 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:

		Ownership percentage as at		
Entity Name	**Country**	**December 31, 2022**	**December 31, 2021**	**December 31, 2020**
		%	**%**	**%**
FSD Biosciences Inc.	USA	100	100	100
Prismic Pharmaceuticals Inc.	USA	100	100	100
FV Pharma Inc.	Canada	100	100	100
Lucid Psycheceuticals Inc.	Canada	100	100	—
FSD Strategic Investments Inc.	Canada	100	—	—
FSD Pharma Australia Pty Ltd	Australia	100	—	—

(expressed in United States dollars)

2. Basis of presentation

[a] Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting 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 of the Company on March 31, 2023.

[b] Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, Share-based Payment ("IFRS 2") and measurements that have some similarities to fair value, but are not fair value, such as value in use in IAS 36, Impairment of Assets ("IAS 36").

[c] Basis of presentation

The accompanying financial statements include the accounts of FSD and its subsidiaries, FV Pharma Inc., FSD Biosciences Inc., Prismic Pharmaceuticals Inc., Lucid Psycheceuticals Inc., FSD Strategic Investments Inc. and FSD Pharma Australia Pty Ltd. The financial statements incorporate the assets and liabilities of the Company and its subsidiaries as at December 31, 2022 and 2021 and the results of these subsidiaries for the years ended December 31, 2022, 2021 and 2020.

Subsidiaries are those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. All intra-entity assets and liabilities, revenues, expenses and cash flows relating to transactions between subsidiaries of the Company are eliminated in full on consolidation.

[d] Functional currency and presentation currency

The 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. 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. (Note 4)	Canadian Dollar

FSD Strategic Investments Inc.	Canadian Dollar
FSD Pharma Australia Pty Ltd	Australian Dollar

[e] Use of estimates and judgments

The preparation of these 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 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 are the 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 financial statements:

[i] Going concern

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

[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

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] Valuation of investments

The Company holds investments that have do not have quoted prices in active markets. In determining the fair value of investments, management is required to make certain estimates and assumptions regarding the fair value as of the reporting date. Assumptions are made and estimates are used in applying the valuation techniques to determine fair value. These include observable inputs other than quoted prices in active markets. Such investments are classified as Level 2 within the fair value hierarchy. The value at which the Company could ultimately realize upon disposition of these investments may differ from their carrying value and such differences could be material.

The financial information of private companies may not always be available, or such information may be insufficient or unreliable for valuation purposes. In determining the fair value of shares held in private company investments, management is required to make certain estimates and assumptions regarding the fair value as of the reporting date. Assumptions are made and estimates are used in applying the valuation techniques to determine fair value. These include the most recently available financial statements of the investee, price for most recently completed financing, as well as closely comparable public companies and general market and economic conditions. Such investments are classified as Level 3 within the fair value hierarchy. The value at which the Company could ultimately realize upon disposition of these investments may differ from their carrying value and such differences could be material.

[vii] Assets held for sale

The determination as to whether a disposal group meets the requirements to be classified as held for sale, and the assets and liabilities to be included within that disposal group, requires management to exercise judgment when making these determinations. Management must also exercise judgment when determining at which date all of the criteria are satisfied to be classified as held for sale. Management must also use estimates when determining the fair value less costs to sell of the disposal group to assess if the carrying value of the disposal group is greater than its recoverable amount.

[viii] Asset acquisition

In the acquisition of Lucid on September 21, 2021, judgment was required to determine if the acquisition represented either a business combination or an asset purchase. Management concluded that Lucid did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill recognized on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed. The fair values of the net assets acquired were determined using estimates and judgments. Refer to Note 4 for additional information on the Company's asset acquisition.

[ix] 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.

3. Significant accounting policies

[a] Cash and cash equivalents

Cash and cash equivalents include cash held at financial institutions, cash held in trust accounts and short-term investments in highly liquid marketable securities, having a term to maturity of three months or less. There are no restrictions on cash held in trust and no cash was held in trust as at December 31, 2022.

[b] Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in consolidated statements of loss and comprehensive loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statements of loss and comprehensive loss.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in the consolidated statements of loss and comprehensive loss.

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.

[c] Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following terms:

Intellectual Property	5 – 15 years

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. Expenditures on internally generated intangible assets during the research phase are expensed as incurred.

[d] Revenue Recognition

The Company's accounting policy for revenue recognition under IFRS 15, Revenue from Contracts with Customers ("IFRS 15") is to follow a five step model to determine the amount and timing of revenue to be recognized i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue from the sale of cannabis in fiscal 2020 was recognized when the Company transfers control of the good to the customer. This was generally considered to have occurred when products have been delivered to the location specified in the sales contract and accepted by the customer.

The Company recognized revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return.

Prior to surrendering its cannabis licenses, the Company was required to remit excise tax to the Canada Revenue Agency on the sale of medical cannabis in Canada. The Company became liable for these excise duties when cannabis products were delivered to the customer. In accordance with IFRS 15, revenue presented within discontinued operations (Note 5) represents revenue from the sale of goods less applicable excise tax.

[e] Foreign Currency Translation

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. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of loss and comprehensive loss.

On consolidation, assets and liabilities of operations with 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 recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

[f] 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 profit or 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 profit or 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 profit or loss.

- 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 profit or 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 profit or 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	Amortized cost
Other receivables	Amortized cost
Investments	Fair value through profit or loss
Finance receivables	Amortized cost
Trade and other payables	Amortized cost
Warrants liability	Fair value through profit or loss
Notes payable	Amortized cost

- Impairment of financial assets

  - Other receivables

  An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of finance and other receivables. The Company applies the simplified approach to impairment for finance and other receivables by recognizing a loss allowance based on lifetime expected losses at each reporting date taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its finance and other receivables using the expected credit loss model, and no material difference was noted.

- 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).

[g] Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are tested for impairment when there are indicators of impairment at each reporting date 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 recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[h] 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.

[i] 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, PSUs and warrants awarded to employees are accounted for using the fair value method. The fair value of the share options, PSUs 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.

[j] 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.

[k] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, unless it has been reduced to zero.

[l] 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 consist primarily of third-party services.

[m] 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 statement of net 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 statement of financial position. Comparative periods are not restated on the consolidated statement 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.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, Presentation of financial statements ("IAS 1")

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. On October 31 2022, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2024, due to the impact of the COVID-19 pandemic. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its 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. Acquisition of Lucid

On September 21, 2021, the Company acquired all of the issued and outstanding common shares of Lucid, an early-stage Canadian-based specialty pharmaceutical company focused on the development of therapies to treat critical neurodegenerative diseases, for total consideration of $7,290,731. The acquisition is part of the Company's strategy of building a portfolio of biotech assets.

Prior to the acquisition, the Company's current CEO and Executive Co-Chairman of the Board beneficially held approximately 4.5% ownership interest in Lucid through an entity related to this individual.

It was determined that the acquisition of Lucid did not qualify as a business combination in accordance with IFRS 3, and therefore it was accounted for as an asset acquisition. The individual identifiable assets acquired and liabilities assumed were identified. The purchase consideration was first allocated to the fair values of the acquired cash and cash equivalents, other receivables, prepaid expenses and deposits and trade and other payables, as their carrying values were determined to equal their fair values. The remaining purchase price was allocated to the acquired intangible assets.

The total consideration for the purchase of Lucid was $7,290,731. The purchase consideration consisted of $7,023,732 of Class B shares, $196,436 of share options and $70,563 of warrants. 304,880 Class B shares and all of the warrants were issued to an entity related to the interim CEO and Executive Co-Chairman of the Board. The fair value of the Class B shares was determined based on a total of 4,502,392 shares issued and a fair value of $1.56 per share, which reflects the share price on the date of acquisition. The fair value of the 161,091 share options and 112,162 warrants issued as part of the consideration were determined using the Black-Scholes options pricing model with the following assumptions:

(expressed in United States dollars)

	Warrants	Share Options
Grant date share price	$1.56	$1.56
Exercise Price	$0.96 - $1.93	$1.35 - $2.31
Expected dividend yield	—	—
Risk free interest rate	0.43%	0.43% - 0.79%
Expected life (years)	1.19 - 1.28	2.23 - 4.28
Annualized volatility	88%	124%

The allocation of the total consideration to the fair value of the identifiable assets acquired and liabilities assumed as at the date of the acquisition was as follows:

	Fair value recognized on acquisition
	$
Cash and cash equivalents	768,964
Other receivables	271,564
Prepaid expenses and deposits	167,776
Intangible assets	6,186,251
Trade and other payables	(103,824)
	7,290,731

The Company also capitalized $128,320 of acquisition related costs to the acquired intellectual property (Note 11).

5. Assets held for sale

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 the Facility and 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.

Results of operations related to the Facility and the Facility Property are reported as discontinued operations for the period ended December 31, 2022, 2021 and 2020.

Assets held for sale as at December 31, 2022 and, 2021 consisted of the following:

	2022	2021
	$	$
Property and plant	—	8,647,779

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

Net income (loss) and comprehensive income (loss) from discontinued operations for the years ended December 31, 2022, 2021 and 2020 is comprised of the following:

	Notes	For the years ended December 31, 2022	2021	2020
		$	$	$
Revenue		—	—	14,514
Cost of revenue		—	—	1,032,010
Gross loss before fair value adjustments		—	—	(1,017,496)
Fair value adjustments on inventory sold		—	—	(945)
Unrealized loss on changes in fair value of biological assets		—	—	166,886
Gross loss		—	—	(1,183,437)
Expenses				
General and administrative	18	**1,185,600**	1,412,392	1,665,541
Depreciation and amortization		—	—	90,340
Impairment of equipment		—	—	387,474
Total operating expenses		**1,185,600**	1,412,392	2,143,355
Loss from discontinued operations		**(1,185,600)**	(1,412,392)	(3,326,792)
Other income		**(32,852)**	(64,919)	(79,568)
Loss on sale of equipment		—	—	100,337
Gain on sale of property and plant		**(4,249,582)**	—	—
Net income (loss) from discontinued operations		**3,096,834**	(1,347,473)	(3,347,561)

(expressed in United States dollars)

Cash flows from discontinued operations for the years ended December 31, 2022, 2021 and 2020 are comprised of the following:

	For the years ended December 31,		
	2022	2021	2020
	$	$	$
Operating activities			
Net income (loss) from discontinued operations	**3,096,834**	(1,347,473)	(3,347,561)
Add (deduct) items not affecting cash			
Depreciation and amortization	**—**	—	108,209
Change in fair value adjustments on inventory sold	**—**	—	(945)
Impairment of inventory	**—**	—	534,814
Impairment of equipment	**—**	—	387,474
Change in fair value of biological assets	**—**	—	166,886
Loss on disposal of inventory	**—**	—	197,436
Loss on sale of equipment	**—**	—	100,337
Changes in non-cash working capital balances			
Gain on sale of property and plant	**(4,249,582)**	—	—
Other receivables	**(88,588)**	38,822	960,778
Inventories	**—**	—	(21,932)
Biological assets	**—**	—	(166,886)
Prepaid expenses and deposits	**98,354**	(20,091)	279,870
Trade and other payables	**—**	(53,299)	63,861
Cash used in operating activities	**(1,142,982)**	(1,382,041)	(737,659)
Proceeds from sale of property and plant, net	**12,730,942**	—	—
Cash provided by investing actitivies	**12,730,942**	—	—

6. Other receivables

The Company’s other receivables are comprised of the following:

	December 31, 2022	December 31, 2021
	$	$
Sales tax recoverable	**279,333**	272,212
ITC receivable	**—**	228,752
Interest receivable	**95,044**	—
	374,377	500,964

7. Prepaid expenses and deposits

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

	December 31, 2022	December 31, 2021
	$	$
Research and development	**308,502**	602,497
Insurance	**95,697**	116,649
Other prepaids and deposits	**67,938**	647,275
	472,137	1,366,421

(expressed in United States dollars)

8. Finance receivables

Finance receivables consist of secured loans to customers measured at amortized cost, net of allowance for credit losses.

Finance receivables as at December 31, 2022 are as follows:

	$
Balance – December 31, 2021	—
Additions	7,805,825
Add: Interest income	183,037
Less: Interest payments	(149,906)
Less: Principal payments	(203,077)
Effects of foreign exchange	(204,223)
Balance – December 31, 2022	**7,431,656**
Current	**—**
Non-current	7,431,656
Balance – December 31, 2022	**7,431,656**

Allowances for credit losses as at December 31, 2022, were $nil. Finance receivables earn fees at fixed rates and have an average term to maturity of two years from the date of issuance. The loans are secured by residential or commercial property with a first collateral mortgage on the secured property. Loans are issued up to 55% of the initial appraised value of the secured property.

Finance receivables include the following:

	$
Minimum payments receivable	8,340,953
Unearned income	(909,297)
Net investment	7,431,656
Allowance for credit losses	—
Finance receivables, net	**7,431,656**

As at December 31, 2022 all loans were classified as stage 1 and there were no changes between stages during the year.

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

9. Investments

The following tables outline changes in investments during the periods:

Entity	Instrument	Note	Balance at December 31, 2021	Proceeds from sale	Additions	Change in fair value through profit or loss	Balance at December 31, 2022
			$	$	$	$	$
True Pharma Strip Inc.	Shares	(i)	197	197	—	—	—
HUGE Shops	Shares	(ii)	157,760	157,760	—	—	—
SciCann Therapeutics	Shares	(iii)	79	79	—	—	—
Solarvest BioEnergy Inc.	Shares	(iv)	366,792	—	—	(145,302)	221,490
Solarvest BioEnergy Inc.	Convertible debenture	(iv)	293,434	—	—	(116,242)	177,192
A2ZCryptoCap Inc.	Shares	(v)	—	—	6,162	4,470	10,632
Lions Bay Fund	Shares	(vi)	—	—	395,450	22,848	418,298
			818,262	**158,036**	**401,612**	**(234,226)**	**827,612**
						Current	**—**
						Non-Current	**827,612**
							827,612

Entity	Instrument	Note	Balance at December 31, 2020	Change in fair value through profit or loss	Balance at December 31, 2021
			$	$	$
True Pharma Strip Inc.	Shares	(i)	—	197	197
HUGE Shops	Shares	(ii)	600,433	(442,673)	157,760
SciCann Therapeutics	Shares	(ii)	195,679	(195,600)	79
Solarvest BioEnergy Inc.	Shares	(iv)	447,678	(80,886)	366,792
Solarvest BioEnergy Inc.	Warrants	(iv)	74,813	(74,813)	—
Solarvest BioEnergy Inc.	Convertible debenture	(iv)	358,142	(64,708)	293,434
			1,676,745	**(858,483)**	**818,262**
				Current	**158,036**
				Non-Current	**660,226**
					818,262

(i) True Pharma Strip Inc. (“True Pharma”)

On September 6, 2018, the Company subscribed for $1,128,450 of equity units in a brokered private placement. The equity investment is measured at fair value through profit or loss. True Pharma is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy – significant unobservable inputs that are supported by little or no market activity. On December 31, 2021, the Company entered into an agreement to sell the investment. Subsequent to December 31, 2021, the Company completed the sale for gross proceeds of C$250 ($197).

(ii) HUGE Shops

The Company’s investment in HUGE Shops includes 17,333,333 shares based on the December 2018 subscription price of C$0.075 per share. The equity investment is measured at fair value through profit or loss. Huge Shops is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. On December 31, 2021, the Company entered into an agreement to sell the investment. Subsequent to December 31, 2021, the Company completed the sale for gross proceeds of C$200,000 ($157,760).

(iii) SciCann Therapeutics Inc. (“SciCann”)

The investment includes 117,648 shares based on the subscription price in May of 2018 and October of 2018 of C$17 per share. The equity investment is measured at fair value through profit or loss. SciCann is not a publicly traded company therefore, the fair value was classified as level 3 within the fair value hierarchy. On December 31, 2021, the Company entered into an agreement to sell the investment. Subsequent to December 31, 2021, the Company completed the sale for gross proceeds of C$100 ($79).

(expressed in United States dollars)

(iv) Solarvest BioEnergy Inc. ("Solarvest")

On May 7, 2019, the Company acquired 3,000,000 common shares, 3,000,000 warrants and a convertible debenture at a principal amount of $1,805,520 for a total fair value of $2,256,900 of Solarvest in exchange for 49,751 Class B shares of the Company with a fair value of $1,880,750 based on a market price of C$50.25 and recognition of a derivative liability of $376,150.

As at December 31, 2021, the fair value of the shares was determined based on the quoted market price of the shares of C$0.155 per share. The warrants expired unexercised during the year ended December 31, 2021. The fair value of the convertible debenture is calculated as the fair value of the shares if the debenture were converted at the Solarvest share price of C$0.155 as at December 31, 2021.

As at December 31, 2022, the fair value of the shares was determined based on the quoted market price of the shares of C$0.10 per share. The fair value of the convertible debenture is calculated as the fair value of the shares if the debenture were converted at the Solarvest share price of C$0.10 as at December 31, 2022. 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.

(v) 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, 2022, the fair value of the shares was determined based on the quoted market price of the shares of C$0.18 per share. The shares have been classified as level 1 within the fair value hierarchy – quoted market price.

(vi) Lions Bay Fund ("Fund")

During the year ended December 31, 2022, the Company invested C$500,000 into the Fund. As at December 31, 2022, the fair value of the investment was determined to be C$566,569 based on the Company's share of the net asset value of the fund. The net asset value as provided by the Fund manager provides the most reasonable assessment of the investments fair value given the magnitude of the investment. Due to the unobservable nature of the net asset value, the investment has been classified as level 3 within the fair value hierarchy and is measured at fair value through profit or loss. Therefore, the Company cannot assess whether applying reasonable possible alternative assumptions would have an impact on the fair value of the investment.

10. Right-of-use asset

Right-of-use assets as at December 31, 2022 are as follows:

	$
Balance – December 31, 2020	—
Additions	179,755
Amortization	(8,300)
Effects of foreign exchange	(3,148)
Balance – December 31, 2021	168,307
Additions	98,648
Amortization	(114,907)
Effects of foreign exchange	3,148
Balance – December 31, 2022	**155,196**

(expressed in United States dollars)

11. Intangible assets

Intangible assets as at December 31, 2022 are as follows:

	$
As at December 31, 2020	19,201,493
Additions	500,000
Acquisition of Lucid	6,314,571
As at December 31, 2021	**26,016,064**
Additions	250,000
As at December 31, 2022	**26,266,064**
Accumulated amortization	
As at December 31, 2020	5,777,102
Amortization	4,037,223
As at December 31, 2021	9,814,325
Amortization	4,411,450
As at December 31, 2022	**14,225,775**
Net book value	
As at December 31, 2021	16,201,739
As at December 31, 2022	**12,040,289**

On March 9, 2021, the Company entered into a license agreement ("Innovet License Agreement") with Innovet Italia S.R.L. ("Innovet"), under which Innovet granted the Company a license to use ultra-micro PEA to develop FDA approved veterinary drugs for the treatment of gastro-intestinal diseases in canines and felines. Under the Innovet license agreement, the Company is required to make payments to Innovet upon the achievement of certain milestones (Note 21), including $500,000 which was paid upon execution of the Innovet License Agreement as consideration in exchange for the rights to the Licensed Products. The Company made a payment of $250,000 on March 9, 2022, as part of the consideration payable for the rights to use the intellectual property. The life of the intellectual property has been determined to be 5 years. Amortization of the intellectual property commenced on the date of the agreement.

12. Trade and other payables

Trade and other payables consist of the following:

	December 31, 2022	December 31, 2021
	$	$
Trade payables	**2,760,002**	2,995,726
Accrued liabilities (i)	**4,348,417**	4,455,346
Other payables	**—**	59,699
	7,108,419	7,510,771

(i) Accrued liabilities consist of the following:

	December 31, 2022	December 31, 2021
	$	$
External research and development fees	**3,531,996**	3,062,844
Operational expenses	**92,783**	412,008
Professional and other fees	**314,445**	570,193
Accrued interest	**409,193**	364,275
Severance	**—**	46,026
	4,348,417	4,455,346

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

13. Lease obligations

The lease obligations as at December 31, 2022 and 2021, are as follows:

	$
Balance – December 31, 2020	**125,962**
Additions	179,755
Add: Interest Expense	9,349
Less: Lease Payments	(57,566)
Effects of foreign exchange	(2,144)
Balance – December 31, 2021	**255,356**
Additions	98,648
Add: Interest Expense	19,062
Less: Lease Payments	(143,071)
Effects of foreign exchange	(14,121)
Balance – December 31, 2022	**215,874**
Current	177,870
Non-current	38,004
Balance – December 31, 2022	**215,874**

Lease obligations are related to the Company's office leases.

The following table sets out a maturity analysis of the lease payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to the lease obligation.

	$
Less than one year	188,365
One to two years	38,929
Thereafter	—
Total undiscounted lease payments payable	227,294
Less: impact of present value	(11,420)
Balance – December 31, 2022	**215,874**

14. Warrants Liability

In August 2020, the Company issued 2,762,430 Class B shares and 1,381,215 warrants to purchase Class B shares for total cash proceeds of $9,999,997. Each warrant is exercisable to purchase one Class B share of the Company at an exercise price of $4.26 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 classification of any new warrants issued from October 1, 2020; forward are assessed based on the new functional currency which is the United States dollar.

The fair value of the warrants liability as at December 31, 2021 was $765,403 resulting in a gain of change in fair value of $682,507 for the year ended December 31, 2021. The fair value was determined using the Black-Scholes option pricing model and the following assumptions: exercise price of $4.26, the underlying share price of $1.02, risk-free interest rate of 1.22% and annualized volatility of 120%.

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

The fair value of the warrants liability as at December 31, 2022 was $243,594 resulting in a gain on change in fair value of $521,809 for the year ended December 31, 2022. The fair value was determined using the Black-Scholes option pricing model and the following assumptions: exercise price of $4.26, the underlying share price of $0.79, risk-free interest rate of 4.07% and annualized volatility of 96%.

15. Share capital

[a] Authorized

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

The holders of Class A shares are entitled to 276,660 votes per Class A share held. Class A shares are held by certain Directors and Officers of the Company and the former CEO of the Company. The holders of Class B shares are entitled to one (1) vote per share held.

[b] Issued and outstanding

Reconciliation of the Company's share capital is as follows:

	Class A shares		Class B shares		Warrants	
	#	$	#	$	#	$
Balance, December 31, 2019	**72**	**151,588**	**7,905,727**	**73,586,337**	**467,451**	**4,321,989**
Shares issued [b] [e] [f] [g] [i] [j]	—	—	8,925,942	22,242,975	6,335,758	1,110,904
Share-based payments [a] [c] [d] [h]	—	—	2,307,569	6,663,479	—	—
Share options exercised	—	—	22,382	563,747	—	—
Warrants expired	—	—	—	—	(54,100)	(463,935)
Balance, December 31, 2020	**72**	**151,588**	**19,161,620**	**103,056,538**	**6,749,109**	**4,968,958**
Shares issued [k]	—	—	15,480,462	38,341,407	—	—
Share-based payments [l]	—	—	1,462,558	3,751,412	100,000	98,513
Share cancellation [l]	—	—	(156,278)	—	—	—
Lucid acquisition [m]	—	—	4,502,392	7,023,732	112,162	70,563
Warrants expired	—	—	—	—	(4,476)	(617)
Balance, December 31, 2021	**72**	**151,588**	**40,450,754**	**152,173,089**	**6,956,795**	**5,137,417**
Share repurchase [n]	—	—	(1,999,800)	(7,523,117)	—	—
Shares-based payments [o]	—	—	158,144	169,500	—	—
Share cancellation [p]	—	—	(504,888)	(1,752,090)	—	—
PSU converted to shares	—	—	400,000	191,590	—	—
Warrants expired	—	—	—	—	(474,702)	(2,995,017)
Balance, December 31, 2022	**72**	**151,588**	**38,504,210**	**143,258,972**	**6,482,093**	**2,142,400**

[a] On January 2, 2020, the Company issued 27,580 Class B Common Shares as share-based compensation to certain members of the Board of Directors for services performed as directors for the fiscal year 2019 for the amount payable of $74,117, which was recorded as trade and other payables as at December 31, 2019.

[b] On February 4, 2020, the Company issued 225,371 Class B Common Shares to Solarvest as settlement under the Share Exchange Agreement to settle the derivative liability of $1,990,788.

[c] On March 16, 2020, the Company issued 405,926 Class B Common Shares as part of a share-based bonus to employees for performance related to fiscal year 2019 resulting in movement of $1,302,076 from contributed surplus to share capital and the recognition of an additional share-based compensation expense of $93,502 as a result of the increase in value of the shares issued.

[d] On March 16, 2020, the Company issued 69,069 Class B Common Shares to members of the Board of Directors as share-based compensation, in lieu of cash, for their annual compensation for the year ended December 31, 2020.

[e] On April 15, 2020, the Company issued 63,714 Class B Common Shares to settle Prismic notes payable of $226,385. The fair value of the Class B Common Shares was $185,976 resulting in a gain on settlement of liability of $40,409.

[f] On June 8, 2020, the Company issued 1,500,000 Class B Common Shares and 1,500,000 warrants as part of a private placement financing for total cash proceeds of C$10,125,000 ($7,617,038). The more reliably measured component, Class B Common Shares, were measured first, with the residual amount being allocated to the warrants. The fair value of the Class B Common Shares was $7,515,477 and the residual value allocated to the warrants was $101,561. The Company incurred issuance costs of $707,043, which has been allocated pro-rata to the common shares and warrants.

[g] On August 6, 2020, the Company issued 2,762,430 Class B Common Shares and 1,381,215 warrants as part of a direct offering for total cash proceeds of $9,999,997. Total cash proceeds were allocated to the warrants liability first with the residual amount allocated to the Class B Common Shares (Note 15). The fair value of the warrants liability was determined to be $3,289,069 and the residual amount of $6,710,928 was allocated to the Class B Common Shares. The Company incurred total cash transaction costs of $913,349. Transaction costs allocated to the warrants of $284,049 were expensed immediately and the transaction costs allocated to common shares were deducted from equity.

[h] In August 2020, the Company approved the issuance of 1,804,994 Class B Common Shares to members of the Board of Directors and certain officers and employees of the company in the form of a compensation bonus for past services provided. Total fair value of the share-based compensation bonus was $4,956,324.

[i] In October 2020, the Company issued 4,318,179 Class B Common Shares and 3,454,543 warrants as part of a direct offering for total proceeds of $9,499,994. The more reliably measured component, Class B Common Shares, were measured first, with the residual amount being allocated to the warrants. The fair value of the Class B Common Shares was $8,377,267 and the residual value allocated to the warrants was $1,122,727. The Company incurred issuance costs of $879,621, which has been allocated pro-rata to the common shares and warrants.

[j] During the year ended December 31, 2020, the Company issued 56,248 Class B Common Shares through the Equity Distribution Agreement with A.G.P/Alliance Global Partners for net proceeds of $199,785.

[k] During the year ended December 31, 2021, the Company issued 15,480,462 Class B shares through the Equity Distribution Agreements with A.G.P/Alliance Global Partners for gross proceeds of $39,765,474. The Company incurred transaction fees of $1,424,067.

[l] On February 17, 2021, the Company issued 1,349,764 Class B shares to certain officers and members of the Board of Directors as share-based compensation with a fair value of $3,576,875 based on a share-price of $2.65 on the day of issuance.

On July 26, 2021, the Company issued 100,000 warrants to a related party with a fair value of $98,513. Each warrant is exercisable to purchase one Class B share of the Company. The fair value was determined using the Black-Scholes option pricing model and the following assumptions: exercise price of $1.99, underlying share price of $1.63, risk-free interest rate of 0.46% and annualized volatility of 129%.

(expressed in United States dollars)

During the year ended December 31, 2021, the Company issued 112,794 Class B shares for services received during the period with a fair value of $174,537. 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.

[m] On September 21, 2021, the Company issued 4,502,392 Class B shares and 112,162 warrants as part of the Lucid acquisition (Note 4).

[n] During the year ended December 31, 2022, the Company repurchased and cancelled 1,999,800 Class B Common Shares at prevailing market prices as part of its share repurchase program.

[o] During the year ended December 31, 2022, the Company issued 107,144 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 51,000 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.

[p] On March 29, 2022, the Company cancelled 504,888 Class B shares previously held by the former CEO following a court decision with respect to the shares issued in February 2021.

The changes in the number of warrants outstanding during the years ended December 31, 2022, 2021 and 2020 were as follows:

	Number of warrants	**Weighted average**
	#	**C$**
Outstanding as at December 31, 2019	467,451	10.20
Issued	6,335,758	5.27
Expired	(54,100)	4.97
Outstanding as at December 31, 2020	6,749,109	5.62
Issued	212,162	1.93
Expired	(4,476)	5.43
Outstanding as at December 31, 2021	6,956,795	5.50
Expired	(474,702)	8.54
Outstanding as at December 31, 2022	**6,482,093**	**5.48**

Measurement of fair values

There were no warrants granted during the year ended December 31, 2022.

The fair value of the warrants issued during the years ended December 31, 2021 and 2020, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2021	2020
Grant date share price	**C$2.00 - C$2.04**	C$2.58 - C$4.00
Exercise price	**C$1.53 - C$2.50**	C$3.46 - C$5.80
Expected dividend yield	—	—
Risk free interest rate	**0.43% - 0.46%**	0.32% 0.36%
Expected life	**1.19 - 2 years**	5 years
Expected volatility	**88% - 129%**	118% - 121%

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

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

Warrants Outstanding		
Expiry Date	Exercise price C$	Number outstanding #
May 20, 2023	16.08	7,311
June 23, 2023	2.50	100,000
July 24, 2023	13.07	3,357
September 11, 2023	5.43	22,382
May 4, 2025	26.73	3,730
May 10, 2025	26.73	1,865
May 17, 2025	26.73	3,730
May 31, 2025	26.73	1,865
June 8, 2025	9.65	1,500,000
August 6, 2025 (i)	5.77	1,381,215
October 20, 2025 (ii)	3.52	3,454,543
January 16, 2026	26.73	1,722
January 20, 2026	26.73	373
	5.48	**6,482,093**

(i) Warrants were issued in US$ with exercise price of $4.26
(ii) Warrants were issued in US$ with exercise price of $2.60

The following table is a summary of the Company's warrants outstanding as at December 31, 2021:

Warrants Outstanding		
Expiry Date	Exercise price C$	Number outstanding #
May 24, 2022	18.09	163,535
September 15, 2022	4.42	199,005
November 30, 2022	1.21	46,242
December 31, 2022	2.43	65,920
May 20, 2023	16.08	7,311
June 23, 2023	2.50	100,000
July 24, 2023	13.07	3,357
September 11, 2023	5.43	22,382
May 4, 2025	26.73	3,730
May 10, 2025	26.73	1,865
May 17, 2025	26.73	3,730
May 31, 2025	26.73	1,865
June 8, 2025	9.65	1,500,000
August 6, 2025 (i)	5.40	1,381,215
October 20, 2025 (ii)	3.30	3,454,543
January 16, 2026	26.73	1,722
January 20, 2026	26.73	373
	5.50	**6,956,795**

(i) Warrants were issued in US$ with exercise price of $4.26
(ii) Warrants were issued in US$ with exercise price of $2.60

(expressed in United States dollars)

The following table is a summary of the Company's warrants outstanding as at December 31, 2020:

Warrants Outstanding		
Expiry Date	Exercise price C$	Number outstanding #
August 1, 2021	5.43	4,476
May 24, 2022	18.09	163,535
September 15, 2022	4.42	199,005
May 20, 2023	16.08	7,311
July 24, 2023	13.07	3,357
September 11, 2023	5.43	22,382
May 4, 2025	26.73	3,730
May 10, 2025	26.73	1,865
May 17, 2025	26.73	3,730
May 31, 2025	26.73	1,865
June 8, 2025	9.65	1,500,000
August 6, 2025 (i)	5.42	1,381,215
October 20, 2025 (ii)	3.31	3,454,543
January 16, 2026	26.73	1,722
January 20, 2026	26.73	373
	5.62	**6,749,109**

(i) Warrants were issued in US$ with exercise price of $4.26
(ii) Warrants were issued in US$ with exercise price of $2.60

16. Share-based compensation

[i] Share-based payment arrangements

The Company has established a share option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors 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 converts 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.

The changes in the number of share options during the period ended December 31, 2022, 2021 and 2020 were as follows:

	Number of options #	Weighted average exercise price C$
Outstanding as at December 31, 2021	3,224,859	2.75
Granted	60,000	1.30
Forfeited	(4,000)	3.75
Expired	(42,226)	3.71
Cancelled	(2,820,104)	2.56
Outstanding as at December 31, 2022	**418,529**	**3.71**
Exercisable as at December 31, 2022	**416,271**	**3.71**

(expressed in United States dollars)

	Number of options #	Weighted average exercise price C$
Outstanding as at December 31, 2020	1,693,063	6.11
Granted	2,841,086	2.26
Forfeited	(47,500)	4.83
Expired	(953,803)	4.87
Cancelled	(307,987)	9.85
Outstanding as at December 31, 2021	**3,224,859**	**2.75**
Exercisable as at December 31, 2021	**3,197,601**	**2.72**

	Number of options #	Weighted average exercise price C$
Outstanding as at December 31, 2019	1,454,943	21.96
Granted	1,082,639	4.14
Exercised	(22,382)	2.61
Cancelled	(822,137)	31.65
Outstanding as at December 31, 2020	**1,693,063**	**6.11**
Exercisable as at December 31, 2020	**1,528,186**	**6.13**

During the year ended December 31, 2022, 42,226 share options related to former officers and employees who are no longer with the Company expired. Individuals who are no longer with the Company have 30 days after their last day to exercise any vested share options. Vested options that remain unexercised after 30 days expire.
During the year ended December 31, 2022, the Company cancelled 2,820,104 share options issued to officers and consultants of the Company and issued 2,820,104 replacement PSUs.

Measurement of fair values

The fair value of share options granted during the period ended December 31, 2022, 2021 and 2020, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2022	2021	2020
Grant date share price	**C$1.19**	C$1.96 — C$2.85	C$3.75 — C$9.54
Exercise price	**C$1.30**	C$1.70 — C$4.25	C$3.68 — C$9.80
Expected dividend yield	**—**	—	—
Risk free interest rate	**2.87%**	0.34% — 1.10%	0.27% — 1.55%
Expected life	**3 years**	2 — 6 years	4 — 9 years
Expected volatility	**112%**	116% — 132%	120%

Expected volatility was estimated by using the annualized historical volatility of the Company. The expected option life represents the period of time 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.

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

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 #
1.30	60,000	2.58	1.30	60,000
1.70	103,453	2.21	1.70	103,453
2.25	168,898	1.04	2.25	168,898
2.61	12,687	0.49	2.61	12,683
2.91	5,150	3.00	2.91	5,150
3.75	5,000	1.21	3.75	5,000
3.86	5,000	3.86	3.86	2,750
5.43	16,265	0.49	5.43	16,264
10.65	3,731	0.49	10.65	3,730
13.07	10,856	0.49	13.07	10,855
13.47	1,418	0.49	13.47	1,418
16.08	18,410	0.49	16.08	18,409
17.89	4,178	0.49	17.89	4,178
50.25	3,483	1.28	50.25	3,483
3.71	**418,529**	**1.52**	**3.71**	**416,271**

The following table is a summary of the Company's share options outstanding as at December 31, 2021:

Options outstanding			Options exercisable	
Exercise price C$	Number outstanding #	Weighted average remaining contractual life [years] #	Exercise price C$	Number exercisable #
1.70	154,953	3.46	1.70	154,953
2.25	2,559,995	2.42	2.25	2,559,995
2.61	12,684	1.49	2.61	12,683
2.91	5,150	4.00	2.91	5,150
3.75	10,500	3.92	3.75	6,500
3.86	256,245	3.21	3.86	252,993
4.42	99,503	0.71	4.42	99,502
4.75	15,000	3.29	4.75	15,000
5.43	16,265	1.49	5.43	16,264
7.63	50,000	4.00	7.63	30,000
10.65	3,731	1.49	10.65	3,730
13.07	10,856	1.49	13.07	10,855
13.47	1,418	1.49	13.47	1,418
16.08	18,410	1.49	16.08	18,409
17.89	4,178	1.49	17.89	4,178
18.09	2,488	1.24	18.09	2,488
50.25	3,483	2.28	50.25	3,483
2.75	**3,224,859**	**2.50**	**2.72**	**3,197,601**

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

The following table is a summary of the Company's share options outstanding as at December 31, 2020:

Options outstanding			Options exercisable	
Exercise price C$	Number outstanding #	Weighted average remaining contractual life [years] #	Exercise price C$	Number exercisable #
2.61	12,683	2.49	2.61	12,683
3.75	5,500	6.47	3.75	500
3.86	872,139	4.08	3.86	864,139
4.42	99,502	1.71	4.42	99,502
4.75	110,000	4.29	4.75	77,500
5.03	60,000	4.70	5.03	7,498
5.43	16,264	2.49	5.43	16,264
6.16	20,000	3.18	6.16	20,000
7.17	199,005	3.83	7.17	199,005
7.63	203,750	4.34	7.63	138,750
9.54	15,000	4.06	9.54	13,125
10.65	3,730	2.49	10.65	3,730
13.07	10,855	2.49	13.07	10,855
13.47	1,418	2.49	13.47	1,418
16.08	18,409	2.49	16.08	18,409
17.89	4,178	2.49	17.89	4,178
18.09	17,413	2.21	18.09	17,413
20.10	8,289	2.27	20.10	8,289
47.24	1,493	3.37	47.24	1,493
50.25	5,224	3.31	50.25	5,224
52.26	498	3.21	52.26	498
55.28	498	3.12	55.28	498
59.30	498	2.96	59.30	498
75.38	498	3.04	75.38	498
86.43	1,244	2.87	86.43	1,244
142.71	4,975	2.74	142.71	4,975
6.11	**1,693,063**	**3.88**	**6.13**	**1,528,186**

[ii] Performance Share Units

In May 2022, the Company established a performance share unit plan ("PSU Plan"), for directors, offers, employees and consultants of the Company. The Company's Board of Directors determines the eligibility of individuals to participate in the PSU Plan in order 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. Each PSU converts into one common share of the Company at $nil exercise price. The Company's PSU 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.

(expressed in United States dollars)

Performance-based payment arrangements

The change in the number of PSUs during the year ending December 31, 2022, is as follows:

	Number of PSUs \#
Outstanding as at December 31, 2021	—
Granted	2,820,104
Converted to Class B Common shares	(400,000)
Outstanding as at December 31, 2022	**2,420,104**

During the year ended December 31, 2022, the Company granted 2,820,104 PSUs, as replacement awards for the 2,820,104 share options that were cancelled. As at December 31, 2022, 400,000 of the PSUs had fully vested upon the successful implementation of a Phase 2 trial for FSD-PEA with Health Canada and/or the FDA. The remaining PSUs will fully vest upon the filing of the MS Phase 1 IND, expected in January 2023 (Note 25).

Measurement of fair values

The fair value of PSUs granted during the year ended December 31, 2022, is measured based on the incremental fair value measured on the date of grant. The incremental fair value is the difference between the fair value of the PSUs based on the share price on the grant date and the fair value of the share options cancelled as measured on date of modification. The incremental fair value on the date of grant was determined to be C$1,812,696. The fair value of the share options cancelled was determined using the Black-Scholes option pricing model and the following assumptions:

	May 16, 2022
Grant date share price	**C$1.15**
Exercise price	**C$1.70 — C$7.63**
Expected dividend yield	**—**
Risk free interest rate	**2.58% — 2.70%**
Expected life	**1 — 6 years**
Expected volatility	**113%**

The Company recognized share-based compensation for the years ended December 31, 2022, 2021 and 2020 as follows:

	For the years ended December 31,		
	2022	2021	2020
	$	$	$
Share options	**69,780**	3,594,005	2,825,863
PSUs	**1,291,978**	98,513	—
Class B Common Shares issued for services	**169,500**	174,537	—
Class B Common Shares issued for compensation	**—**	3,576,875	5,226,148
	1,531,258	7,443,930	8,052,011

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

17. 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 periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of warrants, share options and PSUs. 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 year ended December 31, 2022, 2021 and 2020 presented are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
	#	#	#
Warrants	**6,482,093**	6,956,795	6,749,109
Share Options	**418,529**	3,224,859	1,693,063
PSUs	**2,420,104**	—	—
	9,320,726	10,181,654	8,442,172

18. General and administrative

Components of general and administrative expenses for the years ended December 31, 2022, 2021 and 2020 were as follows:

	For the years ended December 31,		
	2022	2021	2020
	$	$	$
Professional fees	**5,208,356**	6,256,165	2,734,123
General office, insurance and administration expenditures	**2,838,303**	3,479,801	3,616,159
Consulting fees	**1,452,070**	2,196,812	1,775,269
Salaries, wages and benefits	**2,798,074**	2,856,887	2,656,162
Investor relations	**1,495,695**	1,642,653	541,944
Building and facility costs	**519,954**	759,590	586,926
Foreign exchange loss (gain)	**1,323,242**	146,587	(186,959)
	15,635,694	17,338,495	11,723,624
Allocated to:			
Continuing operations	**14,450,094**	15,926,103	10,058,083
Discontinued operations	**1,185,600**	1,412,392	1,665,541

19. 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 performance of the reportable segment and making key strategic decisions. The Company operates in two segments: Biotechnology and Strategic Investments.

The Company's Biotechnology segment is focused on furthering the research and development of the Company's three drug candidates consisting of FSD-PEA, Lucid-PSYCH and Lucid-MS.

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

Notes to the consolidated financial statements

(expressed in United States dollars)
December 31, 2022, 2021 and 2020

Assets by segment are as follows:

	As at December 31, 2022		As at December 31, 2021	
	Biotechnology	Strategic Investments	Biotechnology	Strategic Investments
	$	$	$	$
Current assets	17,850,174	—	45,932,845	—
Non-current assets	13,128,826	7,431,656	17,030,272	—

Interest income by segments is presented below:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Biotechnology	Strategic Investments	Biotechnology	Strategic Investments
	$	$	$	$
Interest income	184,698	183,037	1,292	—

20. Income taxes

The reconciliation of income tax expense for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
	$	$
Loss from continuing operations before income taxes	**(26,703,662)**	(33,937,956)
Statutory federal and provincial tax rate	**26.50%**	26.50%
Income tax recovery at the statutory tax rate	**(7,076,470)**	(8,993,558)
Permanent differences	**1,639,590**	3,758,401
Book to filing adjustments	**438,255**	75,474
Share issuance cost booked directly to equity	**—**	(377,378)
Impact of tax rate changes	**—**	—
Foreign exchange	**1,044,135**	(120)
Change in tax benefits not recognized	**3,954,490**	5,537,181
	—	—

Deferred taxes reflect the tax effects of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax liabilities as at December 31, 2022 and 2021 are comprised of the following:

	2022	2021
	$	**$**
Other investments	**—**	0
Capital losses carried forward	**—**	0
Total	**—**	—

(expressed in United States dollars)

Deferred tax assets have not been recognized in respect of the following temporary differences as at December 31, 2022 and 2021:

	2022	2021
	$	$
Non-capital losses - Canada	**77,271,986**	63,216,617
Net-operating loss - US	**5,120,395**	5,111,610
Unrealized foreign exchange loss	**94,733**	94,733
Share-issuance costs	**2,045,027**	3,349,261
Other investments	**5,542,253**	5,308,027
IFRS 16	**37,439**	87,050
Property, plant and equipment	**324,798**	167,653
Total	**90,436,631**	77,334,951

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

	$
2038	**6,057,633**
2039	**10,730,529**
2040	**21,771,974**
2041	**19,046,688**
2042	**19,665,162**
	77,271,986

The company has cumulative US federal net operating loss carryforwards of approximately $5.12 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.

21. Commitments and contingencies

Commitments

Epitech License Agreement

Under the terms of the Company’s License Agreement with Epitech Group SPA (“Epitech”), the Company has payments due to Epitech pending the achievement of specified milestones. Upon first notification by the U.S. Food and Drug Administration (“FDA”) of approval of a New Drug Application, the non-refundable sum of $700,000 will be due and payable to Epitech. Within thirty days of the first notification by the FDA of approval of a New Drug Application, the Company is required to pay the non-refundable sum of $500,000 to Epitech. Within ten business days of the first notification of approval of a Supplemental New Drug Application by the FDA, the Company will pay the non-refundable sum of $1,000,000 to Epitech.

For non-prescription drug rights, any one-off lump sum payments received by the Company as consideration for granting a sub-license to a Commercial Partner with respect to a Licensed Product, shall require the Company to pay to Epitech 25% of the lump sum payment received by the Company. For prescription drug rights the Company shall pay 5% of any one-off lump sum payments to Epitech as consideration for granting a sub-license to a Commercial Partner with respect to a Licensed Product. The Company will pay the amounts payable on a quarterly basis within 60 days of the end of each calendar quarter.

The Company shall pay either a) 7% of Net Sales of the Licensed Product in a Product Regulatory Category other than prescription drugs placed on the market by the Company; or b) 25% of Net Receipts received by the Company from

Commercial Partners where Licensed Products in a Product Regulatory Category other than prescription drugs are placed on the market by such Commercial Partners; or c) 5% of Net Sales or Net receipts of the Licensed Products in the Product Regulatory Category of prescription drugs. The Company will pay the amounts payable on a quarterly basis within 60 days of the end of each calendar quarter. No payments have been made to date related to these milestones.

Innovet License Agreement

Under the terms of the Innovet license agreement, the Company has payments due to Innovet pending the achievement of specified milestones. Within thirty days from the first notification by the FDA of approval of a New Animal Drug Application ("NADA"), the Company will pay the non-refundable sum of $750,000 to Innovet.

Any one-off lump sum payments received by the Company as consideration for granting a sub-license to a Commercial Partner with respect to a Licensed Product, shall require the Company to pay to Innovet 14% of the lump sum payment received by the Company. The Company will pay the amounts payable on a quarterly basis within 60 days of the end of each calendar quarter.

The Company shall pay 5% of Net Sales of the Licensed Product. The Company will pay the amounts payable on a quarterly basis within 60 days of the end of each calendar quarter. No payments have been made to date related to these milestones.

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 milestones payments of $nil and maximum milestones payments of C$12,500,000 if all product development and regulatory milestones are met.

Furthermore, the Company is also responsible to pay 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.

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 profit or loss in that period.

Contract Research Organization ("CRO") Dispute

The Company is involved in arbitration proceedings with a CRO regarding amounts claimed to be owed to the CRO by the Company. The CRO is claiming it is owed amounts outstanding for work on clinical trials in the United States. The

Company is disputing the amounts claimed to be owed. The Company believes it has sufficiently provided for amounts claimed to be owed to the CRO which are recorded in trade and other payables.

In November 2022, evidentiary hearings were held in New York. The parties submitted post-hearing briefs in December 2022 and are awaiting a decision.

As at December 31, 2022, the ultimate outcome of the matter cannot be reliably determined at this time, however, the Company believes it is sufficiently provisioned for any potential outcome.

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 of directors on July 27, 2021.

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 Corporation. 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 in its entirety along with his claim that he had been wrongfully dismissed. The arbitrator ordered that Raza Bokhari repay certain monies to FSD Pharma, while also holding him responsible for FSD Pharma'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.

Indemnity Application

Raza Bokhari commenced an application in the Superior Court seeking an order appointing an arbitrator to arbitrate his claim to be entitled to indemnification of his legal expenses associated with the litigation he has commenced against the Company or in which he has been named as a party by the Company. The Company denies the validity of the underlying indemnification agreement and is opposing the application. In April 2022, the parties agreed to adjourn the application without setting a new hearing date.

Parkway Clinical Laboratories

Parkway Clinical Laboratories ("PCL"), a company wholly owned by the Company's former CEO, Raza Bokhari, filed an action in Pennsylvania on July 8, 2021, against the Company in respect of two claims: (1) breach of contract in which PCL alleges that the Company failed to pay for $1,412,951 worth of services rendered (e.g., providing office space, personnel, and financial assistance); and (2) alleging that the Company received the benefit of the same services referenced in the breach of contract claim without paying for them.

The case was settled in July 2022 and all amounts have been paid related to this settlement as at December 31, 2022.

Derivative Complaint

On July 20, 2021, a shareholder filed a claim in Delaware against the Company and its directors and officers seeking to remedy harm they believe the directors and officers of the Company have caused by their actions. The shareholder has filed the claim on count of breach of fiduciary duties and corporate waste against the directors and officers with no dollar amount being claimed. On September 13, 2021, the Company filed a motion to dismiss in its entirety and the motion was heard on February 8, 2022. On May 5, 2022, the Company’s motion to dismiss was granted and all claims were dismissed without prejudice.

22. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly.

Transactions with key management and directors comprised the following:

a) In fiscal 2022, the Company pays independent directors’ compensation of C$60,000, with the chair of the audit committee receiving an additional C$20,000 and the chair of the compensation committee receiving an additional C$10,000. Director’s compensation for the year ended December 31, 2022, was $215,104 (2021 – $757,690 and 2020 – $246,226), which includes $nil (2021 – $466,546 and 2020 – $238,703) recognized as share-based compensation for shares issued.

b) During the year ended December 31, 2022, the Company granted 2,820,104 PSUs to related parties, as replacement awards for the 2,820,104 share options that were cancelled. As at December 31, 2022, 400,000 of the PSUs had fully vested upon the successful implementation of a Phase 2 trial for FSD-PEA with Health Canada and/or the FDA. The remaining PSUs will fully vest upon the filing of the MS Phase 1 IND, expected in January 2023 (Note 25).

c) In February 2021, as compensation, the Company issued 1,349,764 shares with a fair value of $3,576,875 to Raza Bokhari, in his capacity as Board Chair and Chief Executive Officer, and to certain other directors. Of the 1,349,764 shares issued, 1,173,709, with a fair value of $3,110,330, were issued to Raza Bokhari and 176,055 shares, with a fair value of $466,545, were issued to other directors. In June 2021, 156,278 of the shares issued to directors in February 2021 were cancelled. On March 8, 2022, following litigation with respect to certain of the shares issued to Raza Bokhari in February 2021, the court issued a decision, permitting the part of the share grant to Raza Bokhari until the date of his termination (being 536,979 Class B shares) but cancelling the shares relating to services that were to be provided after the date of termination (being 504,888 Class B shares). The shares were cancelled on March 29, 2022.

d) The Company paid expenses of $nil (2021 – $262,834 and 2020 – $1,445,043) to a company owned by the former CEO for the year ended December 31, 2022.

e) During the year ended December 31, 2021, the Company reimbursed certain directors C$1,334,158 for expenses incurred in relation to requisitioning, calling and holding the shareholders' meeting.

f) During the year ended December 31, 2020, the Company issued 1,676,066 shares to key management and directors in the form of a compensation bonus for past services provided. The fair value of shares issued to key management and directors is $4,602,301 and is included in share-based payments and bonuses for the year ended December 31, 2020.

(expressed in United States dollars)

Key management personnel compensation during the year ended December 31, 2022, 2021 and 2020 is comprised of:

	2022	2021	2020
	$	$	$
Salaries, benefits, bonuses and consulting fees	**1,839,441**	2,075,893	2,936,816
Share-based payments	**1,345,952**	6,881,641	7,045,994
Total	**3,185,393**	8,957,534	9,982,810

23. Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to complete the pharmaceutical research and development programs centered on the lead compounds, FSD-PEA, Lucid-PSYCH and LUCID-MS. The Company defines capital as the aggregate of its capital stock and borrowings.

As at December 31, 2022, the Company's Share Capital was $143,410,560 (2021 – $152,324,677). The Company does not have any long-term debt. Outstanding notes payable were assumed on acquisition of Prismic and are due on demand.

The Company manages its capital structure in accordance with changes in economic conditions. In order 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 the specific circumstances. The Company is not subject to any externally imposed capital requirements.

24. 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 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

  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, 2022.

- 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, 2022.

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.

Private company investments measured at fair value are classified as Level 3 financial instruments. The valuation method and significant assumptions used to determine the fair value of private company investments have been disclosed in Note 9. The Company did not hold any private company investments as of December 31, 2022. The Company's investment in the Lion's Bay Fund (Note 9) is measured at fair value and classified as Level 3. During the year, there were no transfers of amounts between levels.

25. Subsequent events

On January 12, 2023, the Board of Directors approved a share buyback program for 2023 to repurchase up to 5% of the Company's issued and outstanding Class B Common Shares for aggregate consideration of $3,000,000, commencing on January 16, 2023 and expiring on December 31, 2023. The Company has repurchased 1,904,700 and cancelled 289,600 Class B Common Shares at prevailing market prices through March 31, 2023.

On January 18, 2023, the Company issued 2,420,104 Class B Common Shares, on the conversion of PSUs to related parties. The PSUs vested upon the filing of the MS Phase 1 IND, the day the Company submitted a Clinical Trial Application. The Company announced the submission of the Company's clinical trial application for a planned Phase 1 clinical trial for Lucid-MS on January 17, 2023.

On January 25, 2023, the Company granted 500,000 share options each to the CEO, President, COO and CEO of Lucid with an exercise price of C$1.30 and an expiry date of January 25, 2028. All options were fully vested on the grant date. Each share option can be exercised to acquire one Class B Common Share.

On January 25, 2023, the Company granted 100,000 PSUs each to the four independent members of the Board of Directors. The PSUs fully vest on the filing of Lucid Psych Phase 1 IND.

On February 25, 2023, the Company granted 500,000 share options to employees and consultants with an exercise price of C$2.45. Each share option can be exercised to acquire one Class B Common Share.

On February 27, 2023, the Company granted 15,000 share options to an advisor to the Board of Directors with an exercise price of $1.75 and an expiry date of February 27, 2026. Each share option can be exercised to acquire one Class B Common Share.

On March 24, 2023, the Company granted 15,000 share options to an advisor to the Board of Directors with an exercise price of $1.75 and an expiry date of March 24, 2026. Each share option can be exercised to acquire one Class B Common Share.

Subsequent to December 31, 2022, the Company issued 3,300,000 warrants in exchange for services with exercise prices ranging from $1.50 to $8.00. Each warrant can be exercised to acquire one Class B Common Share.