

FSD Pharma Inc.

Condensed consolidated interim financial statements

For the three months ended March 31, 2023, and 2022
(unaudited) (expressed in United States dollars, except per share amounts)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of FSD Pharma [the “Company”] have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

FSD PHARMA INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

[unaudited] [expressed in United States dollar]

As at		March 31 2023	December 31, 2022
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		9,222,852	16,980,472
Other receivables	4	425,048	374,377
Prepaid expenses and deposits	5	837,540	472,137
Note receivables		223,333	—
Net investment in lease		23,206	23,188
		<u>10,731,979</u>	<u>17,850,174</u>
Non-current assets			
Equipment, net		102,821	105,729
Investments	7	650,334	827,612
Right-of-use asset, net	8	118,779	155,196
Finance receivables, net	6	7,407,408	7,431,656
Intangible assets, net	9	10,469,584	12,040,289
		<u>29,480,905</u>	<u>38,410,656</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	7,706,530	7,108,419
Lease obligations	11	141,702	177,870
Warrants liability	12	450,544	243,594
Notes payable		300,549	300,549
		<u>8,599,325</u>	<u>7,830,432</u>
Non-current liabilities			
Lease obligations	11	24,122	38,004
		<u>8,623,447</u>	<u>7,868,436</u>
SHAREHOLDERS' EQUITY			
Class A share capital	13	151,588	151,588
Class B share capital	13	137,287,903	143,258,972
Warrants	13	3,036,979	2,142,400
Contributed surplus		29,627,239	28,500,924
Foreign exchange translation reserve		668,003	652,601
Accumulated deficit		<u>(149,914,254)</u>	<u>(144,164,265)</u>
		<u>20,857,458</u>	<u>30,542,220</u>
		<u>29,480,905</u>	<u>38,410,656</u>
Commitments and contingencies	18		
Subsequent events	20		

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

On behalf of the Board:

"Signed"
Director - Donal Carroll

"Signed"
Director - Nitin Kaushal

FSD PHARMA INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[unaudited] [expressed in United States dollar, except number of shares]

For the period ended March 31,	Notes	2023 \$	2022 \$
Expenses			
General and administrative	16	2,716,777	3,528,302
External research and development fees		2,311,596	937,052
Share-based payments	14	3,206,535	83,161
Depreciation and amortization	8 & 9	1,129,971	1,101,155
Impairment loss	9	480,096	—
Total operating expenses		9,844,975	5,649,670
Loss from continuing operations		(9,844,975)	(5,649,670)
Interest income	17	(272,341)	—
Finance expense, net		667	16,382
Gain on settlement of financial liability		—	(82,725)
Loss (gain) on change in fair value of derivative liability	12	206,950	(242,519)
Loss on changes in fair value of investments	7	177,278	120,023
Net loss from continuing operations		(9,957,529)	(5,460,831)
Net loss from discontinued operations	3	—	(444,506)
Net loss		(9,957,529)	(5,905,337)
Other comprehensive loss			
Items that may be subsequently reclassified to loss:			
Exchange gain (loss) on translation of foreign operations		15,402	(73,585)
Comprehensive loss		(9,942,127)	(5,978,922)
Net loss per share			
Basic and diluted - continuing operations	15	(0.26)	(0.14)
Basic and diluted - discontinued operations	15	—	(0.01)
Weighted average number of shares outstanding – basic and diluted	15	38,962,415	39,998,791

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

FSD PHARMA INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the periods ended March 31, 2023 and 2022

[unaudited] [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, 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 13]	—	—	(1,524,700)	(5,735,821)	—	—	—	—	4,260,912	(1,474,909)
Share-based payments [note 14]	—	—	70,179	75,600	—	—	7,561	—	—	83,161
Share cancellation [note 13]	—	—	(504,888)	(1,752,090)	—	—	1,752,090	—	—	—
Comprehensive loss for the period	—	—	—	—	—	—	—	(73,585)	(5,905,337)	(5,978,922)
Balance, March 31, 2022	72	151,588	38,491,345	144,760,778	6,956,795	5,137,417	24,343,300	166,027	(127,798,742)	46,760,368
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
Share repurchase [note 13]	—	—	(1,904,700)	(7,165,356)	—	—	—	—	4,207,540	(2,957,816)
Share-based payments [note 14]	—	—	—	—	—	—	2,311,956	—	—	2,311,956
Share options exercised [note 13]	—	—	9,000	14,217	—	—	(5,571)	—	—	8,646
PSUs converted to shares [note 14]	—	—	2,420,104	1,180,070	—	—	(1,180,070)	—	—	—
Warrant issued [note 13]	—	—	—	—	3,300,000	894,579	—	—	—	894,579
Comprehensive loss for the period	—	—	—	—	—	—	—	15,402	(9,957,529)	(9,942,127)
Balance, March 31, 2023	72	151,588	39,028,614	137,287,903	9,782,093	3,036,979	29,627,239	668,003	(149,914,254)	20,857,458

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

FSD PHARMA INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2023 and 2022

[unaudited] [expressed in United States dollar]

	2023	2022
	\$	\$
Operating activities		
Net loss from continuing operations	(9,957,529)	(5,460,831)
Add (deduct) items not affecting cash		
Depreciation and amortization	1,129,934	1,101,155
Interest expense	2,373	19,615
Share-based payments	3,206,535	83,161
Change in fair value of investments	177,278	120,023
Change in fair value of derivative liability	206,950	(242,519)
Unrealized foreign exchange loss (gain)	—	(200,056)
Gain on settlement of financial liability	—	(82,725)
Impairment loss	480,096	—
Changes in non-cash working capital balances		
Finance receivables	24,248	—
Other receivables	(50,671)	(170,611)
Prepaid expenses and deposits	(365,403)	(195,016)
Note receivable	(218,728)	—
Trade and other payables	610,781	438,640
Cash used in continuing operating activities	(4,754,136)	(4,589,164)
Cash used in discontinued operating activities	—	(504,264)
Cash used in operating activities	(4,754,136)	(5,093,428)
Investing activities		
Purchase of equipment	—	(14,622)
Additions to intangible assets	—	(250,000)
Proceeds from sale of investments	—	158,036
Cash used in continuing investing activities	—	(106,586)
Cash used in discontinued investing activities	—	—
Cash used in investing activities	—	(106,586)
Financing activities		
Share repurchase	(2,957,816)	(1,474,909)
Payment of lease obligation	(54,314)	(11,838)
Share options exercised	8,646	—
Cash used in continuing financing activities	(3,003,484)	(1,486,747)
Cash used in discontinued financing activities	—	—
Cash used in financing activities	(3,003,484)	(1,486,747)
Net decrease	(7,757,620)	(6,686,761)
Cash and cash equivalents, beginning of the period	16,980,472	35,259,645
Cash and cash equivalents, end of the period	9,222,852	28,572,884

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

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)

March 31, 2023 and 2022

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 3).

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.

On November 24, 2022, FSD Pharma Australia Pty Ltd. ("FSD Australia"), a wholly owned subsidiary of the Company, was incorporated. FSD Australia will be used to facilitate the Corporation's development of Lucid-PSYCH by running Australian clinical trials in respect of Lucid-PSYCH, and potentially other assets.

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

Subsidiaries

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

The Company has the following subsidiaries:

Entity Name	Country	Ownership percentage as at	
		March 31, 2023	December 31, 2022
		%	%
FSD Biosciences Inc.	USA	100	100
Prismic Pharmaceuticals Inc.	USA	100	100
FV Pharma Inc.	Canada	100	100
Lucid Psycheceuticals Inc.	Canada	100	100
FSD Strategic Investments Inc.	Canada	100	100
FSD Pharma Australia Pty Ltd	Australia	100	100

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)

March 31, 2023 and 2022

2. Basis of presentation

[a] Statement of compliance

These unaudited condensed consolidated interim financial statements (“financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited consolidated financial statements for the year ended December 31, 2022. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2023.

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

[c] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2022 and described in these financial statements. 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.

New standards, amendments and interpretations recently 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.

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)

March 31, 2023 and 2022

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The impact of adopting these amendments on the Company's financial statements was not significant.

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 impact of adopting these amendments on the Company's financial statements was not significant.

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 impact of adopting these amendments on the Company's financial statements was not significant.

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

IFRS 16 – Leases ("IFRS 16")

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

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.

3. Discontinued operations

In March 2020, the Company decided to focus its efforts and resources on the pharmaceutical business and initiated the process to exit the medical cannabis industry and sell 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 for the year ended December 31, 2022.

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

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)

March 31, 2023 and 2022

Net loss and comprehensive loss from discontinued operations for the three months ended March 31, 2022 is comprised of the following:

	Notes	For the three months ended March 31, 2022 \$
Expenses		
General and administrative	16	459,674
Total operating expenses		459,674
Loss from discontinued operations (459,674)		
Other income		(15,168)
Net loss from discontinued operations		(444,506)

Cash flows from discontinued operations for the three months ended March 31, 2022 is comprised of the following:

	For the three months ended March 31, 2022 \$
Operating activities	
Net income (loss) from discontinued operations	(444,506)
Add (deduct) items not affecting cash	
Changes in non-cash working capital balances	
Other receivables	(37,140)
Prepaid expenses and deposits	(17,424)
Trade and other payables	(5,194)
Cash used in operating activities	(504,264)

4. Other receivables

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

	March 31, 2023 \$	December 31, 2022 \$
Sales tax recoverable	416,981	279,333
Interest receivable	8,067	95,044
	425,048	374,377

5. Prepaid expenses and deposits

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

	March 31, 2023 \$	December 31, 2022 \$
Research and development	325,942	308,502
Insurance	361,833	95,697
Other prepaids and deposits	149,765	67,938
	837,540	472,137

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)
March 31, 2023 and 2022

6. Finance receivables

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

Finance receivables as at March 31, 2023 are as follows:

	\$
Balance – December 31, 2022	7,431,656
Add: Interest income	133,412
Less: Interest payments	(163,722)
Effects of foreign exchange	6,062
Balance – March 31, 2023	7,407,408
Current	—
Non-current	7,407,408
Balance – March 31, 2023	7,407,408

Allowances for credit losses as at March 31, 2023, 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	8,190,180
Unearned income	(782,772)
Net investment	7,407,408
Allowance for credit losses	—
Balance – March 31, 2023	7,407,408

As at March 31, 2023, all loans were classified as stage 1 and there were no changes between stages during the year.

7. Investments

The following tables outline changes in investments during the periods:

Entity	Instrument	Note	Balance at December	Change in fair	Balance at
			31, 2022	value through	March 31, 2023
			\$	\$	\$
Solarvest BioEnergy Inc.	Shares	(i)	221,490	(110,655)	110,835
Solarvest BioEnergy Inc.	Convertible debenture	(i)	177,192	(88,524)	88,668
A2ZCryptoCap Inc.	Shares	(ii)	10,632	8	10,640
Lions Bay Fund	Shares	(III)	418,298	21,893	440,191
			827,612	(177,278)	650,334

(i) Solarvest BioEnergy Inc. (“Solarvest”)

The Company holds 3,000,000 common shares of Solarvest and a convertible debenture with a principal amount of C\$2,400,000 maturing on May 31, 2024. The convertible debenture can be converted into common shares of Solarvest

FSD PHARMA INC.

Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)
March 31, 2023 and 2022

at a price of \$1.00 per share.

As at March 31, 2023, the fair value of the shares was determined based on the quoted market price of the shares of C\$0.05 per share (December 31, 2022 – C\$0.10). The fair value of the convertible debenture is calculated as the fair value of the shares the Company would receive if the debenture were converted into 2,400,000 common shares at the Solarvest share price of C\$0.05 as at March 31, 2023 (December 31, 2022 – C\$0.10). 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.

(ii) A2ZCryptoCap Inc. (“A2Z”)

On June 23, 2022, the Company acquired 80,000 shares of A2Z for C\$0.10 per share. As at March 31, 2023, the fair value of the shares was determined based on the quoted market price of the shares of C\$0.18 per share (December 31, 2022 – C\$0.18). The shares have been classified as level 1 within the fair value hierarchy – quoted market price.

(iii) Lions Bay Fund (“Fund”)

During the year ended December 31, 2022, the Company invested C\$500,000 into the Fund. As at March 31, 2023, the fair value of the investment was determined to be C\$595,738 (December 31, 2022 – 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 investment’s 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.

8. Right-of-use asset

Right-of-use assets as at March 31, 2023 are as follows:

	\$
Balance – December 31, 2022	155,196
Amortization	(36,417)
Balance – March 31, 2023	118,779

9. Intangible assets

Intangible assets as at March 31, 2023 are as follows:

	Innovet \$	Prismic \$	Lucid \$	Total \$
As at December 31, 2022	750,000	19,201,493	6,314,571	26,266,064
Impairment	(750,000)	—	—	(750,000)
As at March 31, 2023	—	19,201,493	6,314,571	25,516,064
Accumulated amortization				
As at December 31, 2022	229,933	13,457,622	538,220	14,225,775
Amortization	39,971	946,913	103,725	1,090,609
Impairment	(269,904)	—	—	(269,904)
As at March 31, 2023	—	14,404,535	641,945	15,046,480
Net book value				
As at December 31, 2022	520,067	6,263,938	5,776,351	12,040,289
As at March 31, 2023	—	4,796,958	5,672,626	10,469,584

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Notes to the condensed consolidated interim financial statements

(expressed in United States dollars)

March 31, 2023 and 2022

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

10. Trade and other payables

Trade and other payables consist of the following:

	March 31, 2023	December 31, 2022
	\$	\$
Trade payables	3,378,275	2,760,002
Accrued liabilities (i)	4,328,255	4,348,417
	7,706,530	7,108,419

(i) Accrued liabilities consist of the following:

	March 31, 2023	December 31, 2022
	\$	\$
External research and development fees	3,362,910	3,531,996
Operational expenses	69,032	92,783
Professional and other fees	487,120	314,445
Accrued interest	409,193	409,193
	4,328,255	4,348,417

11. Lease obligations

The lease obligations as at March 31, 2023, are as follows:

	\$
Balance – December 31, 2022	215,874
Add: Interest Expense	4,055
Less: Lease Payments	(54,314)
Effects of foreign exchange	209
Balance – March 31, 2023	165,824
Current	141,702
Non-current	24,122
Balance – March 31, 2023	165,824

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.

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(expressed in United States dollars)
March 31, 2023 and 2022

	\$
Less than one year	148,851
One to two years	24,350
Thereafter	—
Total undiscounted lease payments payable	173,201
Less: impact of present value	(7,377)
Balance – March 31, 2023	165,824

12. 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 fair value of the warrants liability as at March 31, 2023, was \$450,544 (December 31, 2022 – \$243,594) resulting in a loss on change in fair value of \$206,950 for the period ended March 31, 2023. The fair value was determined using the Black-Scholes option pricing model and the following assumptions:

	March 31, 2023	December 31, 2022
Share price	\$1.55	\$0.79
Exercise price	\$4.26	\$4.26
Expected dividend yield	—	—
Risk free interest rate	3.78%	4.07%
Expected life	2.35	2.60
Expected volatility	77%	96%

13. 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 regard 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 the former CEO of the Company. The holders of Class B shares are entitled to one (1) vote per share held.

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[b] Issued and outstanding

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

	Class A shares		Class B shares		Warrants	
	#	\$	#	\$	#	\$
Balance, December 31, 2021	72	151,588	40,450,754	152,173,089	6,956,795	5,137,417
Shares-based payments [a]	—	—	70,179	75,600	—	—
Share repurchase [b]	—	—	(1,524,700)	(5,735,821)	—	—
Share cancellation [c]	—	—	(504,888)	(1,752,090)	—	—
Balance, March 31, 2022	72	151,588	38,491,345	144,760,778	6,956,795	5,137,417
Balance, December 31, 2022	72	151,588	38,504,210	143,258,972	6,482,093	2,142,400
Share repurchase [d]	—	—	(1,904,700)	(7,165,356)	—	—
Warrants issued [e]	—	—	—	—	3,300,000	894,579
Share options exercised [f]	—	—	9,000	14,217	—	—
PSU converted to shares [note 14]	—	—	2,420,104	1,180,070	—	—
Balance, March 31, 2023	72	151,588	39,028,614	137,287,903	9,782,093	3,036,979

[a] During the three months ended March 31, 2022, the Company issued 70,179 Class B shares for services received during the period with a fair value of \$75,600.

[b] During the three months ended March 31, 2022, the Company repurchased and cancelled 1,524,700 Class B Common Shares at prevailing market prices as part of its share repurchase program.

[c] 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.

[d] During the three months ended March 31, 2023, the Company repurchased 1,904,700 and cancelled Class B Common Shares at prevailing market prices as part of its share repurchase program.

[e] During the three months ended March 31, 2023, the Company issued 3,300,000 warrants for consulting services with a fair value of \$894,579. The Company determined the fair value of the services received could not be measured reliably and determined the fair value using the Black-Scholes model.

[f] During the three months ended March 31, 2023, 9,000 share options were exercised with an exercise price of C\$1.30 in exchange for 9,000 Class B Common Shares.

The changes in the number of warrants outstanding during the three months ended March 31, 2023 and 2022 were as follows:

	Number of warrants	Weighted average exercise price
	#	C\$
Outstanding as at December 31, 2021	6,956,795	5.50
Outstanding as at March 31, 2022	6,956,795	5.46
Outstanding as at December 31, 2022	6,482,093	5.48
Issued	3,300,000	5.14
Outstanding as at March 31, 2023	9,782,093	5.36

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Measurement of fair values

The fair value of the warrants issued during the three months ended March 31, 2023, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2023
Grant date share price	C\$1.92 - C\$2.29
Exercise price	C\$2.03 - C\$10.82
Expected dividend yield	—
Risk free interest rate	3.42% - 4.26%
Expected life	1 - 2 years
Expected volatility	64% - 67%

There were no warrants granted during the three months ended March 31, 2022.

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

Expiry Date	Warrants Outstanding	
	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
March 14, 2024 (i)	2.50	200,000
March 14, 2024 (i)	5.77	100,000
March 14, 2024 (i)	10.83	200,000
March 30, 2024 (i)	2.03	300,000
March 30, 2024 (i)	4.06	250,000
March 30, 2024 (i)	6.09	250,000
February 27, 2025 (i)	2.37	400,000
February 27, 2025 (i)	5.41	400,000
February 27, 2025 (i)	10.83	200,000
March 24, 2025 (i)	2.37	400,000
March 24, 2025 (i)	5.41	400,000
March 24, 2025 (i)	10.83	200,000
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 (i)	3.52	3,454,543
January 16, 2026	26.73	1,722
January 20, 2026	26.73	373
	5.36	9,782,093

(i) Warrants were issued in US\$

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

Expiry Date	Warrants Outstanding	
	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)	5.32	1,381,215
October 20, 2025 (i)	3.25	3,454,543
January 16, 2026	26.73	1,722
January 20, 2026	26.73	373
	5.46	6,956,795

(i) Warrants were issued in US\$

14. Share-based compensation

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

[i] Share-based payment arrangements

During the three months ended March 31, 2023, the Company granted 2,488,000 share options to directors, officers, employees and consultants of the Company.

The changes in the number of share options during the three months ended March 31, 2023 and 2022 were as follows:

	Number of options #	Weighted average
		exercise price C\$
Outstanding as at December 31, 2022	418,529	3.71
Granted	2,488,000	1.52
Exercised	(9,000)	1.30
Outstanding as at March 31, 2023	2,897,529	1.84
Exercisable as at March 31, 2023	2,679,521	1.79

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	Number of options #	Weighted average exercise price C\$
Outstanding as at December 31, 2021	3,224,859	2.75
Expired	(12,438)	3.86
Outstanding as at March 31, 2022	3,212,421	2.75
Exercisable as at March 31, 2022	3,185,413	2.71

During the three months ended March 31, 2022, 12,438 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.

Measurement of fair values

The fair value of share options granted during the three months ended March 31, 2023, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2022
Grant date share price	C\$1.28 - C\$2.30
Exercise price	C\$1.30 - C\$2.45
Expected dividend yield	—
Risk free interest rate	2.88% - 3.99%
Expected life	2.91 - 5 years
Expected volatility	95% - 110%

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.

There were no share options granted during the three months ended March 31, 2022.

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

Options outstanding			Weighted average remaining contractual life [years]	Options exercisable	
Exercise price C\$	Number outstanding #			Exercise price C\$	Number exercisable #
1.30	2,051,000	4.76	1.30	2,051,000	
1.70	103,453	1.97	1.70	103,453	
2.25	168,898	0.79	2.25	168,898	
2.37	15,000	2.92	2.37	10,000	
2.37	15,000	2.98	2.37	5,000	
2.45	458,000	2.90	2.45	257,000	
2.61	12,687	0.24	2.61	12,683	
2.91	5,150	2.75	2.91	5,150	
3.75	5,000	0.97	3.75	5,000	
3.86	5,000	3.61	3.86	3,000	
5.43	16,265	0.24	5.43	16,264	
10.65	3,731	0.24	10.65	3,730	
13.07	10,856	0.24	13.07	10,855	
13.47	1,418	0.24	13.47	1,418	
16.08	18,410	0.24	16.08	18,409	
17.89	4,178	0.24	17.89	4,178	
50.25	3,483	1.04	50.25	3,483	
1.84	2,897,529	4.00	1.79	2,679,521	

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

Options outstanding			Weighted average remaining contractual life [years]	Options exercisable	
Exercise price C\$	Number outstanding #			Exercise price C\$	Number exercisable #
1.70	154,953	3.21	1.70	154,953	
2.25	2,559,995	2.18	2.25	2,559,995	
2.61	12,684	1.24	2.61	12,683	
2.91	5,150	3.75	2.91	5,150	
3.75	10,500	3.67	3.75	6,500	
3.86	243,807	3.02	3.86	240,805	
4.42	99,503	0.46	4.42	99,502	
4.75	15,000	3.04	4.75	15,000	
5.43	16,265	1.24	5.43	16,264	
7.63	50,000	3.76	7.63	30,000	
10.65	3,731	1.24	10.65	3,730	
13.07	10,856	1.24	13.07	10,855	
13.47	1,418	1.24	13.47	1,418	
16.08	18,410	1.24	16.08	18,409	
17.89	4,178	1.24	17.89	4,178	
18.09	2,488	0.99	18.09	2,488	
50.25	3,483	2.04	50.25	3,483	
2.75	3,212,421	2.25	2.71	3,185,413	

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[ii] Performance Share Units (“PSUs”)

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.

The change in the number of PSUs during the three months ended March 31, 2023, is as follows:

	Number of PSUs
	#
Outstanding as at December 31, 2022	2,420,104
Granted	400,000
Converted to Class B Common shares	(2,420,104)
Outstanding as at March 31, 2023	400,000

During the three months ended March 31, 2023, the Company converted 2,420,104 PSUs to Class B Common shares following the completion of the vesting condition on January 6, 2023, the filing of the MS Phase 1 IND. During the three months ended March 31, 2023, the Company granted 400,000 PSUs to independent directors of the Company. As at March 31, 2023, the PSUs had fully vested upon the filing of the MS Phase 1 IND on January 6, 2023.

The Company recognized share-based compensation for the three months ended March 31, 2023 and 2022 as follows:

	For the three months ended March 31,	
	2023	2022
	\$	\$
Share options	1,853,703	7,561
PSUs	458,253	—
Class B Common Shares issued for services	—	75,600
Warrants issued for services	894,579	—
	3,206,535	83,161

15. 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 three months ended March 31, 2023 and 2022 are as follows:

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	March 31, 2023	March 31, 2022
	#	#
Warrants	9,782,093	6,956,795
Share Options	2,897,529	3,212,421
PSUs	400,000	—
	13,079,622	10,169,216

16. General and administrative

Components of general and administrative expenses for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
	\$	\$
Professional fees	594,286	2,132,377
General office, insurance and administration expenditures	622,316	471,523
Consulting fees	556,804	351,689
Salaries, wages and benefits	630,027	578,350
Investor relations	247,392	291,170
Building and facility costs	—	412,360
Foreign exchange loss (gain)	65,952	(249,493)
	2,716,777	3,987,976
Allocated to:		
Continuing operations	2,716,777	3,528,302
Discontinued operations	—	459,674

17. Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, with appropriate aggregation. The chief operating decision maker is the CEO who is responsible for allocating resources, assessing the performance of the reportable segment and making key strategic decisions. The Company operates in two segments: 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 Biotechnology segment primarily earns interest income on guaranteed investment certificates.

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.

Assets by segment are as follows:

	As at March 31, 2023		As at December 31, 2022	
	Biotechnology	Strategic Investments	Biotechnology	Strategic Investments
	\$	\$	\$	\$
Current assets	10,508,646	223,333	17,850,174	—
Non-current assets	11,341,518	7,407,408	13,128,826	7,431,656

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Interest income by segments is presented below:

	For the three months ended March 31, 2023		For the three months ended March 31, 2022	
	Biotechnology	Strategic Investments	Biotechnology	Strategic Investments
	\$	\$	\$	\$
Interest income	136,516	135,825	—	—

18. 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.

Lucid-MS Agreement

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

Under the agreement the Company is committed to minimum milestone payments of \$nil and maximum milestone payments of C\$12,500,000 if all product development and regulatory milestones are met.

Furthermore, the Company is also responsible 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

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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. Subsequent to March 31, 2023, the arbitrator declared the hearings closed as of April 20, 2023. The Company awaits a decision and final award to be rendered by the tribunal. As at March 31, 2023, 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

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underlying indemnification agreement and is opposing the application. In April 2022, the parties agreed to adjourn the application without setting a new hearing date.

19. 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 2023, 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 three months ended March 31, 2023, was \$49,932 (2022 – \$55,260).
- b) During the three months ended March 31, 2023, the Company granted 400,000 PSUs to independent members of the Board of Directors. As at March 31, 2023, the PSUs had fully vested upon the filing of the MS Phase 1 IND on January 6, 2023.
- c) During the three months ended March 31, 2023, the Company granted the CEO, President, COO and CEO of Lucid, 500,000 share options each with an exercise price of C\$1.30, expiry date of January 25, 2028 and all options are fully vested. Each share option can be exercised to acquire one Class B Common Share.

Key management personnel compensation during the three months ended March 31, 2023 and 2022 is comprised of:

	2023	2022
	\$	\$
Salaries, benefits, bonuses and consulting fees	317,831	321,846
Share-based payments	1,963,983	6,077
Total	2,281,814	327,923

20. Subsequent events

Options exercised

On April 23, 2023, 12,000 share options were exercised at C\$1.30 in exchange for 12,000 Class B Common Shares.

Raza Bokhari

On May 6, 2023, the Ontario Superior Court of Justice awarded C\$2,814,229 in favour of the Company against Raza Bokhari for legal costs incurred by the Company with respect to the arbitration matter.

Finance receivables

Subsequent to March 31, 2023, the Company entered into a loan agreement with the President of the Company. The Company issued a loan receivable in the aggregate amount of C\$1,200,000. The loan is secured by a second charge against a residential property and was issued at loan to value ratio below 50%. The loan carries interest at a rate of 6% per annum, payable monthly, and matures two years from the date of issuance. The principal balance is due at maturity and can prepaid, in whole or in part, at any time without notice or penalty.

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GBB Drink Lab, Inc.

GBB Drink Lab, Inc. has filed a complaint with the United States District Court of Southern District of Florida, Fort Lauderdale Division against FSD Biosciences, Inc. and FSD Pharma, Inc. claiming a material breach of a mutual nondisclosure agreement and misappropriation of trade secrets, which has and continues to cause irreparable harm to Plaintiff, which has been valued, as of August 30, 2022 (prior to the misappropriation and material breach) at \$53,047,000. The ultimate outcome of the matter cannot be determined at this time.