FSD Pharma Inc.
Consolidated financial statements

For the years ended December 31, 2023, 2022 and 2021
(expressed in United States dollars, except per share amounts)

INDEX TO FINANCIAL STATEMENTS

MNP

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, 2023 and 2022 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, 2023, 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, 2023 and 2022, 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, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has an accumulated deficit and has suffered a net loss that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2019

Mississauga, Canada
March 28, 2024

FSD PHARMA INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[expressed in United States dollars]

As at	Notes	**December 31, 2023** $	**December 31, 2022** $
ASSETS			
Current assets			
Cash and cash equivalents		**2,757,040**	16,980,472
Other receivables	6	**228,764**	374,377
Prepaid expenses and deposits	7	**155,413**	472,137
Investments	9	**756,100**	—
Finance receivables, net	8	**7,187,988**	—
Net investment in lease		**—**	23,188
		11,085,305	17,850,174
Non-current assets			
Equipment, net		**87,583**	105,729
Investments	9	**6,049**	827,612
Right-of-use asset, net		**32,838**	155,196
Finance receivables, net	8	**907,366**	7,431,656
Intangible assets, net	10	**5,355,687**	12,040,289
		17,474,828	38,410,656
LIABILITIES			
Current liabilities			
Trade and other payables	11	**4,195,029**	7,108,419
Lease obligations		**38,650**	177,870
Warrants liability	12	**31,338**	243,594
Notes payable		**300,549**	300,549
		4,565,566	7,830,432
Non-current liabilities			
Lease obligations		**—**	38,004
		4,565,566	7,868,436
SHAREHOLDERS' EQUITY			
Class A share capital	13	**151,622**	151,588
Class B share capital	13	**137,626,863**	143,258,972
Warrants	13	**2,723,356**	2,142,400
Contributed surplus		**30,225,741**	28,500,924
Foreign exchange translation reserve		**417,341**	652,601
Accumulated deficit		**(157,908,160)**	(144,164,265)
Equity attributable to shareholders of the Company		**13,236,763**	30,542,220
Non-controlling interests	15	**(327,501)**	—
		12,909,262	30,542,220
		17,474,828	38,410,656

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

On behalf of the Board:

"Signed"
Director - Zeeshan Saeed

"Signed"
Director - Eric Hoskins

FSD PHARMA INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[expressed in United States dollars, except number of shares]

For the years ended December 31,	Notes	2023 $	2022 $	2021 $
Expenses				
General and administrative	17	**9,032,724**	14,450,094	15,926,103
External research and development fees		**3,859,178**	6,910,844	6,328,104
Share-based payments	14	**3,835,475**	1,531,258	7,443,930
Depreciation and amortization	10	**2,506,316**	4,537,415	4,045,523
Impairment loss	10	**4,555,805**	—	—
Total operating expenses		**23,789,498**	27,429,611	33,743,660
Loss from continuing operations		**(23,789,498)**	(27,429,611)	(33,743,660)
Interest income	18	**(786,363)**	(367,735)	(1,292)
Finance expense, net		**299**	48,822	69,404
Gain on remeasurement of financial liability	20	**(4,939,015)**	(119,453)	(49,792)
Gain on change in fair value of derivative liability	12	**(212,256)**	(521,809)	(682,507)
Loss on changes in fair value of investments	9	**378,425**	234,226	858,483
Net loss from continuing operations		**(18,230,588)**	(26,703,662)	(33,937,956)
Net income (loss) from discontinued operations	5	**—**	3,096,834	(1,347,473)
Net loss		**(18,230,588)**	(23,606,828)	(35,285,429)
Other comprehensive loss				
Items that may be subsequently reclassified to loss:				
Exchange (loss) gain on translation of foreign operations		**(235,260)**	412,989	31,815
Comprehensive loss		**(18,465,848)**	(23,193,839)	(35,253,614)
Net loss attributable to:				
Equity owners of the Company		**(17,902,179)**	(23,606,828)	(35,285,429)
Non-controlling interests	15	**(328,409)**	—	—
		(18,230,588)	(23,606,828)	(35,285,429)
Net (loss) income per share				
Basic and diluted - continuing operations	16	**(0.46)**	(0.69)	(0.97)
Basic and diluted - discontinued operations	16	**—**	0.08	(0.04)
Weighted average number of shares outstanding – basic and diluted	16	**39,588,663**	38,732,381	34,945,210

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2023, 2022 and 2021
[expressed in United States dollars, except number of shares]

	Class A shares		Class B shares		Warrants		Contributed surplus	Non-controlling interests	Foreign exchange translation reserve	Accumulated deficit	Total
	#	$	#	$	#	$	$	$	$	$	$
Balance, December 31, 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 13]	—	—	15,480,462	38,341,407	—	—	—	—	—	—	38,341,407
Share-based payments [note 14]	—	—	1,462,558	3,751,412	100,000	98,513	3,594,006	—	—	—	7,443,931
Share cancellation [note 13]	—	—	(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 year	—	—	—	—	—	—	—	—	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 13]	—	—	(1,999,800)	(7,523,117)	—	—	—	—	—	5,596,880	(1,926,237)
Share-based payments [note 14]	—	—	158,144	169,500	—	—	1,361,758	—	—	—	1,531,258
Share cancellation [note 13]	—	—	(504,888)	(1,752,090)	—	—	1,752,090	—	—	—	—
Warrants expired [note 13]	—	—	—	—	(474,702)	(2,995,017)	2,995,017	—	—	—	—
PSUs converted to shares [note 14]	—	—	400,000	191,590	—	—	(191,590)		—	—	—
Comprehensive loss for the year	—	—	—	—	—	—	—	—	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**
Initial recognition of non-controlling interests	—	—	—	—	—	—	—	(24,467)	—	(40,583)	(65,050)
Plan of arrangement [note 13]	—	34	23	—	—	—	—	8,673	—	(8,673)	34
Share repurchase [note 13]	—	—	(1,904,700)	(7,165,356)	—	—	—	—	—	4,207,540	(2,957,816)
Share-based payments [note 14]	—	—	36,086	36,000	—	—	2,410,010	16,702	—	—	2,462,712
Share options exercised [note 13]	—	—	21,000	33,247	—	—	(13,000)	—	—	—	20,247
PSUs converted to shares [note 14]	—	—	2,720,104	1,464,000	—	—	(1,464,000)	—	—	—	—
Warrants issued [note 13]	—	—	—	—	3,975,000	1,372,763	—	—	—	—	1,372,763
Warrants expired [note 13]	—	—	—	—	(133,050)	(791,807)	791,807	—	—	—	—
Comprehensive loss for the year	—	—	—	—	—	—	—	(328,409)	(235,260)	(17,902,179)	(18,465,848)
Balance, December 31, 2023	**72**	**151,622**	**39,376,723**	**137,626,863**	**10,324,043**	**2,723,356**	**30,225,741**	**(327,501)**	**417,341**	**(157,908,160)**	**12,909,262**

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, 2023, 2022 and 2021
[expressed in United States dollars]

	2023 $	2022 $	2021 $
Operating activities			
Net loss from continuing operations	**(18,230,588)**	(26,703,662)	(33,937,956)
Add (deduct) items not affecting cash			
Depreciation and amortization	**2,506,316**	4,534,586	4,045,523
Interest expense	**24,288**	63,411	69,404
Share-based payments	**3,835,475**	1,531,258	7,443,930
Change in fair value of investments	**378,425**	234,226	858,483
Change in fair value of derivative liability	**(212,256)**	(521,809)	(682,507)
Unrealized foreign exchange (gain) loss	**(383,514)**	934,100	—
Gain on remeasurement of financial liability	**(4,939,015)**	(119,453)	(49,792)
Impairment loss	**4,555,805**	—	—
Gain on net investment in lease	**—**	(22,619)	—
Changes in non-cash working capital balances			
Finance receivables	**(663,698)**	(7,431,656)	—
Other receivables	**159,585**	215,175	(106,880)
Prepaid expenses and deposits	**316,724**	795,930	(609,153)
Note receivable	**(224,610)**	—	—
Trade and other payables	**2,049,799**	(699,778)	3,604,766
Cash used in continuing operating activities	**(10,827,264)**	(27,190,291)	(19,364,182)
Cash used in discontinued operating activities	**—**	(1,142,982)	(1,382,041)
Cash used in operating activities	**(10,827,264)**	(28,333,273)	(20,746,223)
Investing activities			
Cash acquired from acquisition of Lucid Psycheceuticals Inc.	**—**	**—**	768,964
Purchase of investments	**(744,500)**	(401,612)	**—**
Purchase of equipment	**—**	(113,958)	**—**
Additions to intangible assets	**—**	(250,000)	(500,000)
Net cash upon control of subsidiary	**31,783**	—	**—**
Proceeds from sale of investments	**443,138**	158,036	**—**
Cash (used in) provided by continuing investing activities	**(269,579)**	(607,534)	268,964
Cash provided by discontinued investing activities	**—**	12,730,942	—
Cash (used in) provided by investing activities	**(269,579)**	12,123,408	268,964
Financing activities			
Share repurchase	**(2,957,816)**	(1,926,237)	—
Proceeds from issuance of shares, net	**34**	—	38,341,407
Repayment of notes payable	**—**	—	(71,759)
Payment of lease obligation	**(189,054)**	(143,071)	(57,566)
Share options exercised	**20,247**	—	—
Cash (used in) provided by continuing financing activities	**(3,126,589)**	(2,069,308)	38,212,082
Cash (used in) provided by financing activities	**(3,126,589)**	(2,069,308)	38,212,082
Net decrease	**(14,223,432)**	(18,279,173)	17,734,823
Cash and cash equivalents, beginning of the year	**16,980,472**	35,259,645	17,524,822
Cash and cash equivalents, end of the year	**2,757,040**	16,980,472	35,259,645

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

1. Nature of business

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

The Company's registered office is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9. The Company's shares are listed on the Nasdaq Capital Market and on the Canadian Securities Exchange under the symbol "HUGE".

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

Going concern uncertainty

The consolidated financial statements ("financial statements") of the Company for the years ended December 31, 2023, 2022 and 2021, have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is in the preliminary stages of its planned operations and has not yet determined whether its processes and business plans are economically viable. The continued operations of the Company and the recoverability of amounts shown for intangible assets are dependent upon the ability of the Company to obtain sufficient financing to complete the research and development program of Lucid-MS. As well as fund the research and development of a treatment for alcohol misuse for application in hospitals and other medical practices.

As at December 31, 2023, the Company has an accumulated deficit of $157.9 million, a net loss of $18.2 million and a working capital surplus of $6.5 million. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so on terms favourable for the Company. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

(expressed in United States dollars)

Subsidiaries

The Company has the following subsidiaries:

		Ownership percentage as at		
Entity Name	**Country**	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
		%	**%**	**%**
FSD Biosciences Inc.	USA	100.00	100.00	100.00
Prismic Pharmaceuticals Inc.	USA	100.00	100.00	100.00
FV Pharma Inc.	Canada	100.00	100.00	100.00
Lucid Psycheceuticals Inc.	Canada	100.00	100.00	100.00
FSD Strategic Investments Inc.	Canada	100.00	100.00	—
FSD Pharma Australia Pty Ltd	Australia	100.00	100.00	—
Celly Nutrition Corp.	Canada	26.15	—	—

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 (the "Board") of the Company on March 26, 2024.

[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. The financial statements incorporate the assets and liabilities of the Company and its subsidiaries as at December 31, 2023 and 2022 and the results for the Company and its subsidiaries for the years ended December 31, 2023, 2022 and 2021.

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.

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

[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.	Canadian Dollar
FSD Strategic Investments Inc.	Canadian Dollar
FSD Pharma Australia Pty Ltd	Australian Dollar
Celly Nutrition Corp.	Canadian 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.

(expressed in United States dollars)

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] 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.

[viii] Disclosure of interests in other entities

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

Judgment is applied in determining when the Company controls an investment even if the Company holds less than a majority of the investee's voting rights (the existence of de facto control). The Company concluded it has control of Celly even though the Company only holds 26.15% of the voting rights as of December 31, 2023. The Company concluded it has control of Celly as the Company, together with persons or entities considered to be de facto agents of the Company, holds a combined 52.05% of the voting rights of Celly. In addition, key management personnel of the Company hold three of the four board of director positions of Celly. The assessment of control is performed on a continuous basis. The Company determined that it obtained control of Celly on July 31, 2023, and control was maintained at all times from July 31, 2023, through December 31, 2023. Celly is significantly dependent on the Company as a result of the License Agreement and the loan. The NCI component of Celly is included as a separate component in equity (Note 15).

3. Material accounting policies

[a] Equipment

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

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

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

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

[b] Intangible Assets

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

Intellectual Property	5 – 15 years

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

[c] Foreign Currency Transactions

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

On consolidation, assets and liabilities of operations with a functional currency other than United States dollar are translated into United States dollar at period end foreign currency rates. Expenses of such operations are translated into the United States dollar at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

[d] Financial Instruments

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

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

- Financial assets

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

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

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

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

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

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

- Financial liabilities

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

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

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

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

- Financial liabilities and equity instruments

  - Classification as debt or equity

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

  - Equity instruments

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

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

- Classification of financial instruments

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

Cash and cash equivalent	Amortized cost
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.

  - Finance receivables

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

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

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

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

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

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

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

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

[e] Impairment of long-lived assets

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

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

[f] Income Taxes

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

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

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

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

Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

[g] Share-based Compensation

Share options and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided, whichever is considered more reliable. Share options, 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.

[h] Net Loss per Share

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

[i] External research and development

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

[j] Discontinued operations

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

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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company early adopted these amendments effective January 1, 2023. The impact of adopting these amendments on the Company's financial statements was not material.

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 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 material.

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 material.

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 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 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 10).

5. Discontinued operations

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

Results of operations related to the Disposal Group are reported as discontinued operations for the years ended December 31, 2022 and 2021.

(expressed in United States dollars)

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

	Notes	For the years ended December 31, 2022 $	2021 $
Expenses			
General and administrative	17	1,185,600	1,412,392
Total operating expenses		1,185,600	1,412,392
Loss from discontinued operations		(1,185,600)	(1,412,392)
Other income		(32,852)	(64,919)
Gain on sale of property and plant		(4,249,582)	—
Net income (loss) from discontinued operations		3,096,834	(1,347,473)

Cash flows from discontinued operations for the year ended December 31, 2022 and 2021 is comprised of the following:

	For the years ended December 31, 2022 $	2021 $
Operating activities		
Net income (loss) from discontinued operations	3,096,834	(1,347,473)
Add (deduct) items not affecting cash		
Changes in non-cash working capital balances		
Gain on sale of property and plant	(4,249,582)	—
Other receivables	(88,588)	38,822
Prepaid expenses and deposits	98,354	(20,091)
Trade and other payables	—	(53,299)
Cash used in operating activities	(1,142,982)	(1,382,041)
Proceeds from sale of property and plant, net	12,730,942	—
Cash provided by investing activities	12,730,942	—

There were no discontinued operations for the year ended December 31, 2023.

6. Other receivables

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

	December 31, 2023 **$**	December 31, 2022 $
Sales tax recoverable	**209,550**	279,333
Interest receivable	**15,511**	95,044
Other receivables	**3,703**	—
	228,764	374,377

(expressed in United States dollars)

7. Prepaid expenses and deposits

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

	December 31, 2023	December 31, 2022
	$	$
Research and development	**30,705**	308,502
Insurance	**60,999**	95,697
Other prepaids and deposits	**63,709**	67,938
	155,413	472,137

8. Finance receivables

Finance receivables consist of secured loan receivables measured at amortized cost, net of allowance for expected credit losses.

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

	$
Balance – January 1, 2022	—
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**
Additions	1,021,489
Add: Interest income	568,919
Less: Interest payments	(597,986)
Less: Principal payments	(526,107)
Effects of foreign exchange	197,383
Balance – December 31, 2023	**8,095,354**
Current	7,187,988
Non-current	907,366
Balance – December 31, 2023	**8,095,354**

Allowances for expected credit losses as at December 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 property with a first or second collateral mortgage on the secured property, except for the loan issued to a related party (Note 21). Loans are issued up to 55% of the initial appraised value of the secured property at the time of issuance.

(expressed in United States dollars)

Finance receivables include the following:

	December 31, 2023
	$
Minimum payments receivable	8,527,569
Unearned income	(432,215)
Net investment	8,095,354
Allowance for credit losses	—
Finance receivables, net	**8,095,354**

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

9. Investments

The following tables outline changes in investments during the periods:

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

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		197	197	—	—	—
HUGE Shops	Shares		157,760	157,760	—	—	—
SciCann Therapeutics	Shares		79	79	—	—	—
Solarvest BioEnergy Inc.	Shares	(i)	366,792	—	—	(145,302)	221,490
Solarvest BioEnergy Inc.	Convertible debenture	(i)	293,434	—	—	(116,242)	177,192
A2ZCryptoCap Inc.	Shares	(ii)	—	—	6,162	4,470	10,632
Lions Bay Fund	Shares	(iii)	—	—	395,450	22,848	418,298
			818,262	**158,036**	**401,612**	**(234,226)**	**827,612**
						Current	**—**
						Non-Current	**827,612**
							827,612

(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 at a price of $1.00 per share.

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

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.

(expressed in United States dollars)

(ii) 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, 2023, the fair value of the shares was determined based on the quoted market price of the shares of C$0.10 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 $395,450 into the Fund. The investment was sold for proceeds of $443,138. The Company recognized a gain of $24,840 on the sale of the Fund during the year ended December 31, 2023.

(iv) On August 9, 2023, the Company purchased a Guaranteed Investment Certificate ("GIC") in the amount of $744,500 from Royal Bank of Canada ("RBC") with a maturity date of August 9, 2024. The GIC pays variable interest based on RBC's Prime Interest Rate minus 2.00%. The GIC has been classified as level 2 – valuation technique with observable market inputs.

10. Intangible assets

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

	Innovet	**Prismic**	**Lucid**	**Total**
Cost	**$**	**$**	**$**	**$**
As at December 31, 2021	500,000	19,201,493	6,314,571	26,016,064
Additions	250,000	—	—	250,000
As at December 31, 2022	750,000	19,201,493	6,314,571	26,266,064
Impairment	(750,000)	(19,201,493)	—	(19,951,493)
As at December 31, 2023	**—**	**—**	**6,314,571**	**6,314,571**
Accumulated amortization				
As at December 31, 2021	79,409	9,617,361	117,555	9,814,325
Amortization	150,524	3,840,261	420,665	4,411,450
As at December 31, 2022	229,933	13,457,622	538,220	14,225,775
Amortization	39,971	1,904,348	420,664	2,364,983
Impairment	(269,904)	(15,361,970)	—	(15,631,874)
As at December 31, 2023	**—**	**—**	**958,884**	**958,884**
Net book value				
As at December 31, 2022	520,067	5,743,871	5,776,351	12,040,289
As at December 31, 2023	**—**	**—**	**5,355,687**	**5,355,687**

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

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

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

11. Trade and other payables

Trade and other payables consist of the following:

	December 31, 2023	December 31, 2022
	$	$
Trade payables	**3,240,658**	2,760,002
Accrued liabilities (i)	**954,371**	4,348,417
	4,195,029	7,108,419

(i) Accrued liabilities consist of the following:

	December 31, 2023	December 31, 2022
	$	$
External research and development fees	**—**	3,531,996
Operational expenses	**71,953**	92,783
Professional and other fees	**473,225**	314,445
Accrued interest	**409,193**	409,193
	954,371	4,348,417

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 December 31, 2023, was $31,338 (December 31, 2022 – $243,594) resulting in a gain on change in fair value of $212,256 for the year ended December 31, 2023 (December 31, 2022 – $521,809). The fair value was determined using the Black-Scholes option pricing model and the following assumptions:

	December 31, 2023	December 31, 2022
Share price	**$0.92**	$0.79
Exercise price	**$4.26**	$4.26
Expected dividend yield	**—**	—
Risk free interest rate	**3.91%**	4.07%
Expected life	**1.60**	2.60
Expected volatility	**66%**	96%

(expressed in United States dollars)

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 the Chief Executive Officer ("CEO"), President, Executive Co-Chairman of the Board and the Director and Executive Co-Chairman of the Board. The holders of Class B 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, 2020	**72**	**151,588**	**19,161,620**	**103,056,538**	**6,749,109**	**4,968,958**
Shares issued [a]	—	—	15,480,462	38,341,407	—	—
Share-based payments [b]	—	—	1,462,558	3,751,412	100,000	98,513
Share cancellation [b]	—	—	(156,278)	—	—	—
Lucid acquisition [c]	—	—	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 [d]	—	—	(1,999,800)	(7,523,117)	—	—
Share-based payments [e]	—	—	158,144	169,500	—	—
Share cancellation [f]	—	—	(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**
Plan of arrangement [k]	—	34	23	—	—	—
Share repurchase [g]	—	—	(1,904,700)	(7,165,356)	—	—
Share-based payments [j]	—	—	36,086	36,000	—	—
Share options exercised [i]	—	—	21,000	33,247	—	—
PSU converted to shares	—	—	2,720,104	1,464,000	—	—
Warrants issued [h]	—	—	—	—	3,975,000	1,372,763
Warrants expired	—	—	—	—	(133,050)	(791,807)
Balance, December 31, 2023	**72**	**151,622**	**39,376,723**	**137,626,863**	**10,324,043**	**2,723,356**

Activity during the period from December 31, 2020 to December 31, 2021:

[a] 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.

[b] On February 17, 2021, the Company issued 1,349,764 Class B shares to certain officers and members of the Board 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%.

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.

[c] 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).

Activity during the period from December 31, 2021 to December 31, 2022:

[d] 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.

[e] 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.

[f] 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.

Activity during the period from December 31, 2022 to December 31, 2023:

[g] During the year ended December 31, 2023, the Company repurchased and canceled 1,904,700 Class B Common Shares at prevailing market prices as part of its share repurchase program.

[h] During the year ended December 31, 2023, the Company issued 3,975,000 warrants for consulting services with a fair value of $1,384,970. The Company recognized $1,372,763 as expense during the year ended December 31, 2023, with the remaining $12,206 to be recognized over the vesting period of certain warrants. The Company determined the fair value of the services received could not be measured reliably and determined the fair value using the Black-Scholes model.

[i] During the year ended December 31, 2023, the Company issued 21,000 Class B shares upon the exercise of 21,000 share options with an exercise price of C$1.30.

[j] During the year ended December 31, 2023, the Company issued 36,086 Class B shares for services received during the period with a fair value of $36,000.

[k] In November 2023, the Company completed the Plan of Arrangement reorganization. The Company cancelled all 72 Class A Shares of the Company and reissued 24 new Class B shares and 48 new Class A Shares. The Company cancelled all 39,376,699 Class B shares outstanding and reissued 39,376,698 new Class B shares. There was 1 previously issued Class B share that was removed due to an administrative adjustment. The Company also cancelled and reissued 6,335,758 FSD Pharma New Distribution Warrants. Each holder of the Company's Class A shares, Class B shares and the FSD Pharma New Distribution Warrants was distributed a share of Celly from the Company for each Class A share, Class B share and New Distribution Warrant held. As a result, the Company issued 45,712,529 shares of Celly which was recognized as a deemed dividend of $8,673 with a corresponding adjustment to NCI.

(expressed in United States dollars)

The Company issued 24 Class A shares through a private placement for total proceeds of $34. 12 Class A shares were issued to the CEO, President, and Co-Chairman of the Board and 12 Class A Share were issued to the Director and Co-Chairman of the Board.

The changes in the number of warrants outstanding during the year ended December 31, 2023, 2022 and 2021 were as follows:

	Number of warrants	Weighted average exercise price
	#	C$
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
Issued	3,975,000	4.55
Expired	(133,050)	4.01
Outstanding as at December 31, 2023	**10,324,043**	**5.05**

Measurement of fair values

The fair value of the warrants issued during the year ended December 31, 2023 and 2021, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2023	2021
Grant date share price	**C$1.44 - C$2.29**	C$2.00 - C$2.04
Exercise price	**C$1.50 - C$10.82**	C$1.53 - C$2.50
Expected dividend yield	—	—
Risk free interest rate	**3.08% - 4.26%**	0.43% - 0.46%
Expected life	**0.75 - 5 years**	1.19 - 2 years
Expected volatility	**64% - 109%**	88% - 129%

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

(expressed in United States dollars)

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

Expiry Date		Exercise price C$	Number outstanding #
March 14, 2024	(i)	2.45	200,000
March 14, 2024	(i)	5.63	100,000
March 14, 2024	(i)	10.58	200,000
March 30, 2024	(i)	1.98	300,000
March 30, 2024	(i)	3.97	250,000
March 30, 2024	(i)	5.95	250,000
May 24, 2024	(i)	1.98	50,000
February 27, 2025	(i)	2.31	400,000
February 27, 2025	(i)	5.29	400,000
February 27, 2025	(i)	10.58	200,000
March 15, 2025		1.50	37,500
March 15, 2025		3.00	37,500
March 23, 2025		1.50	50,000
March 24, 2025	(i)	2.31	400,000
March 24, 2025	(i)	5.29	400,000
March 24, 2025	(i)	10.58	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)	5.63	1,381,215
October 20, 2025	(i)	3.44	3,454,543
January 16, 2026		26.73	1,722
January 20, 2026		26.73	373
May 15, 2028		1.50	500,000
		5.05	**10,324,043**

(i) Warrants were issued in US$

(expressed in United States dollars)

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

Expiry Date		Exercise price C$	Number outstanding #
May 20, 2023		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	(i)	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$

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

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	(i)	3.30	3,454,543
January 16, 2026		26.73	1,722
January 30, 2026		26.73	373
		5.50	**6,956,795**

(i) Warrants were issued in US$

(expressed in United States dollars)

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 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 year ended December 31, 2023, the Company granted 2,488,000 (2022 – 60,000 and 2021 – 2,841,086) share options to directors, officers, employees and consultants of the Company.

The change in the number of share options outstanding during the year ended December 31, 2023, 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
Forfeited	(123,500)	2.09
Exercised	(21,000)	1.30
Expired	(301,414)	4.03
Outstanding as at December 31, 2023	**2,460,615**	**1.56**
Exercisable as at December 31, 2023	**2,396,863**	**1.54**

The change in the number of share options outstanding during the year ended December 31, 2022, 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**

The change in the number of share options outstanding during the year ended December 31, 2021, were as follows:

	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**

(expressed in United States dollars)

During the year ended December 31, 2023, 301,414 share options (2022 – 42,226 and 2021 – 953,803) 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 performance share units.

Measurement of fair values

The fair value of share options granted during the year ended December 31, 2023, 2022 and 2021, were estimated at the date of grant using the Black-Scholes option pricing model with the following inputs:

	2023	2022	2021
Grant date share price	**C$1.28 - $C2.48**	C$1.19	C$1.96 — C$2.85
Exercise price	**C$1.30 - $C2.45**	C$1.30	C$1.70 — C$4.25
Expected dividend yield	**—**	—	—
Risk free interest rate	**2.91% - 3.99%**	2.87%	0.34% — 1.10%
Expected life	**3 - 5 years**	3 years	2 — 6 years
Expected volatility	**95% - 110%**	112%	116% — 132%

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.

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

Options outstanding			**Options exercisable**	
Exercise price C$	Number outstanding #	Weighted average remaining contractual life [years] #	Exercise price C$	Number exercisable #
1.30	2,000,000	4.07	1.30	2,000,000
1.70	67,980	1.87	1.70	67,980
2.25	50,002	0.42	2.25	50,000
2.31	15,000	2.16	2.31	15,000
2.31	15,000	2.23	2.31	15,000
2.45	294,000	2.15	2.45	231,500
2.91	5,150	2.00	2.91	5,150
3.75	5,000	0.21	3.75	5,000
3.86	5,000	2.86	3.86	3,750
50.25	3,483	0.28	50.25	3,483
1.56	**2,460,615**	**3.66**	**1.54**	**2,396,863**

(expressed in United States dollars)

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**

[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 determines the eligibility of individuals to participate in the PSU Plan in order to align their interests with those of the Company's shareholders.

(expressed in United States dollars)

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 years ended December 31, 2023 and 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
Granted	400,000
Forfeited	(100,000)
Converted to Class B Common shares	(2,720,104)
Outstanding as at December 31, 2023	**—**

During the year ended December 31, 2023, the Company converted 2,720,104 PSUs to Class B shares. The PSUs were fully vested as of January 6, 2023, upon the filing of the MS Phase 1 IND. During the year ended December 31, 2023, 100,000 PSUs related to a former independent director who is no longer with the Company were forfeited.
The Company recognized share-based compensation for the years ended December 31, 2023, 2022 and 2021 as follows:

	For the years ended December 31,		
	2023	**2022**	**2021**
	$	**$**	**$**
Share options	**1,951,757**	69,780	3,594,005
PSUs	**458,253**	1,291,978	98,513
Class B Common Shares issued for services	**36,000**	169,500	174,537
Class B Common Shares issued for compensation	**—**	—	3,576,875
Warrants issued for services	**1,372,763**	—	—
Other (i)	**16,702**	—	—
	3,835,475	1,531,258	7,443,930

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

15. Non-controlling interests

Through the License Agreement, FSD acquired 34.66% of Celly on July 31, 2023. As of December 31, 2023, the Company has a 26.15% (2022 – 0%) ownership interest in Celly through common shares held in Celly. The non-controlling interest represents the common shares of Celly not attributable to the Company.

Reconciliation of non-controlling interest is as follows:

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

(expressed in United States dollars)

16. 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 years ended December 31, 2023, 2022 and 2021 are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
	#	#	#
Warrants	**10,324,043**	6,482,093	6,956,795
Share Options	**2,460,615**	418,529	3,224,859
PSUs	**—**	2,420,104	—
	12,784,658	9,320,726	10,181,654

17. General and administrative

Components of general and administrative expenses for the years ended December 31, 2023, 2022 and 2021 were as follows:

	For the years ended December 31,		
	2023	2022	2021
	$	$	$
Professional fees	**3,248,233**	5,208,356	6,256,165
General office, insurance and administration expenditures	**2,294,476**	2,838,303	3,479,801
Consulting fees	**1,305,434**	1,452,070	2,196,812
Salaries, wages and benefits	**1,855,087**	2,798,074	2,856,887
Investor relations	**665,915**	1,495,695	1,642,653
Building and facility costs	**—**	519,954	759,590
Foreign exchange (gain) loss	**(336,421)**	1,323,242	146,587
	9,032,724	15,635,694	17,338,495
Allocated to:			
Continuing operations	**9,032,724**	14,450,094	15,926,103
Discontinued operations	**—**	1,185,600	1,412,392

18. Segment information

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

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

(expressed in United States dollars)

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

The following tables summarize the Company's total current and non-current assets and current and non-current liabilities as of December 31, 2023 and 2022, on a segmented basis:

	As at December 31, 2023		
	Biopharmaceutical	Strategic Investments	Consolidated
	$	$	$
Current assets	4,516,910	7,187,988	**11,704,898**
Non-current assets	5,482,157	907,366	**6,389,523**
Current liabilities	4,565,566	619,593	**5,185,159**
Non-current liabilities	—	—	**—**

	As at December 31, 2022		
	Biopharmaceutical	Strategic Investments	Consolidated
	$	$	$
Current assets	18,087,292	—	**18,087,292**
Non-current assets	13,128,826	7,431,656	**20,560,482**
Current liabilities	7,830,432	237,118	**8,067,550**
Non-current liabilities	38,004	—	**38,004**

The following tables summarize the Company's interest income, total operating expenses, and net loss for the years ended December 31, 2023 and 2022 on a segmented basis:

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

	For the year ended December 31, 2022		
	Biopharmaceutical	Strategic Investments	Consolidated
	$	$	$
Interest income	(344,294)	(23,441)	**(367,735)**
Total operating expenses	26,798,301	631,310	**27,429,611**
Net loss	(23,541,030)	(65,798)	**(23,606,828)**

(expressed in United States dollars)

19. Income taxes

The reconciliation of income tax expense for the years ended December 31, 2023, 2022 and 2021 consists of the following:

	2023	2022	2021
	$	$	$
Loss from continuing operations before income taxes	**(18,230,588)**	(26,703,662)	(33,937,956)
Statutory federal and provincial tax rate	**26.50%**	26.50%	26.50%
Income tax recovery at the statutory tax rate	**(4,831,106)**	(7,076,470)	(8,993,558)
Permanent differences	**2,557,822**	1,639,590	3,758,401
Book to filing adjustments	**(119,668)**	438,255	75,474
Share issuance cost booked directly to equity	**—**	—	(377,378)
Impact of tax rate changes	**(42,277)**	—	—
Foreign exchange	**(582,404)**	1,044,135	(120)
Change in tax benefits not recognized	**3,017,633**	3,954,490	5,537,181
	—	—	—

Deferred tax assets have not been recognized in respect of the following temporary differences as at December 31, 2023 and 2022:

	2023	2022	2021
	$	$	$
Non-capital losses - Canada	**88,880,329**	77,271,986	63,216,617
Net-operating loss - US	**5,073,156**	5,120,395	5,111,610
Unrealized foreign exchange loss	**—**	94,733	94,733
Share-issuance costs	**1,046,315**	2,045,027	3,349,261
Capital losses carried forward	**3,534,651**	—	—
Other investments	**2,528,001**	5,542,253	5,308,027
IFRS 16	**5,814**	37,439	87,050
Property, plant and equipment	**849,854**	324,798	167,653
Total	**101,918,120**	90,436,631	77,334,951

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

	$
2038	**6,203,680**
2039	**10,989,236**
2040	**22,067,467**
2041	**19,735,799**
Thereafter	**29,884,147**
	88,880,329

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

20. Commitments and contingencies

Commitments

Lucid-MS Agreement

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

Under the agreement the Company is committed to minimum milestone payments of $nil and maximum milestone payments of C$12,500,000 if all product development and regulatory milestones are met. Furthermore, the Company is also responsible 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 the consolidated statements of loss and comprehensive loss in that period.

Contract Research Organization (“CRO”) Dispute

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

In November 2022, evidentiary hearings were held in New York. The parties submitted post-hearing briefs in December 2022. On May 19, 2023, an arbitrator arrived at a non-binding decision that both parties breached the agreements and awarded the CRO $1.7 million plus interest on past due amounts. On June 30, 2023, the CRO filed a motion to make the May 19, 2023 award recognized and enforceable in Ontario, Canada.

On August 2, 2023, the Company entered into a settlement agreement with the CRO for $100,000. The Company paid the settlement amount during the three months ended September 30, 2023. The Company derecognized all amounts previously recorded in trade and other payables on the statements of financial position as of September 30, 2023. This resulted in a gain on remeasurement of financial liability recognized in the statements of loss and comprehensive loss.

As at December 31, 2023, all matters have been resolved.

Raza Bokhari

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

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

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.

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

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

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

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

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

GBB Drink Lab, Inc.

GBB Drink Lab, Inc. ("GBB") 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 non-disclosure agreement and misappropriation of trade secrets, which GBB claims has and continues to cause irreparable harm, valued, as of August 30, 2022 (prior to the misappropriation and material breach) at $53,047,000. On June 23, 2023, the Company filed a motion to dismiss the complaint. On July 3, 2023, GBB responded in opposition to the Company's motion to dismiss the complaint. On August 24, 2023, the parties filed a proposed joint scheduling report with the U.S. District Court, which set forth various deadlines that would govern this action. Under the proposed joint schedule, which still needs to be approved by the U.S. District Court, the case would be trial-ready by November 30, 2024.

The ultimate outcome of the matter cannot be determined at this time.

21. 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 paid 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, 2023, was $175,140 (2022 – $215,104 and 2021 – $757,690).

b) During the year ended December 31, 2023, the Company granted 400,000 (2022 – 2,820,104 and 2021 – nil) PSUs to independent members of the Board. As at December 31, 2023, the PSUs had fully vested upon the filing of the MS Phase 1 IND on January 6, 2023 and were settled with the issuance of Class B shares.

c) During the year ended December 31, 2023, the Company granted the previous interim CEO, the current CEO, the Chief Operating Officer ("COO") and the CEO of Lucid, 500,000 (2022 – nil and 2021 – nil) share options each with an exercise price of C$1.30 and an expiry date of January 25, 2028. All options were fully vested on grant. Each share option can be exercised to acquire one Class B share.

d) During the year ended December 31, 2023, the Company entered into a secured loan agreement with the CEO, President, and Executive Co-Chairman of the Board in the amount of C$1,200,000, with monthly payments of C$6,000 based on an annual interest rate of 6%. The loan matures on April 26, 2025, and is part of FSD Strategic Investments' portfolio of loans. The loan is secured by a second charge mortgage on underlying residential property.

e) During the year ended December 31, 2023, the Company issued 1,000,000 warrants for consulting services to certain independent members of the Board with a fair value of $533,206, prior to them joining the Board. 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) In November 2023, the Company issued 24 Class A shares through a private placement for proceeds of $34. 12 Class A shares were issued to the CEO, President, and Executive Co-Chairman of the Board and 12 Class A Share were issued to the Director and Executive Co-Chairman of the Board.

g) In February 2021, as compensation, the Company issued 1,349,764 shares with a fair value of $3,576,875 to former CEO, 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.

h) For the year ended December 31, 2023, the Company paid expenses of $nil (2022 – $nil and 2021 – $262,834) to a company owned by the former CEO.

i) For the year ended December 31, 2023, the Company reimbursed $145,081 (2022 – $41,596 and 2021 – $528,872) to a related party of the CEO, President, and Executive Co-Chairman of the Board for legal expenses.

(expressed in United States dollars)

j) 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.

Key management personnel compensation during the years ended December 31, 2023, 2022 and 2021 is comprised of:

	2023	2022	2021
	$	$	$
Salaries, benefits, bonuses and consulting fees	**1,395,096**	1,839,441	2,075,893
Share-based payments	**1,980,732**	1,345,952	6,881,641
Total	**3,375,828**	3,185,393	8,957,534

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

22. Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to complete the research and development of a proprietary formulation of natural ingredients, vitamins, and minerals to help with liver and brain function for the purposes of quickly relieving individuals from the effects of alcohol consumption.

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

As at December 31, 2023, the Company's Share Capital was $137,778,485 (2022 – $143,410,560). 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.

23. Financial Instruments and Risk Management

Credit risk

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

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

Liquidity risk

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

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

Market risk

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

- Foreign currency risk

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

- Interest rate risk

  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, 2023.

- 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, 2023.

Fair values

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

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

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and

liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

24. Subsequent events

On January 24, 2024, the Company entered into an agreement with SBS Intl Group LLC. ("SBS") to assist the Company in enhancing its market awareness and foster productive, continuing dialogues with shareholders and other market participants. The agreement grants SBS 100,000 share options with an exercise price of $1.05 and expiry date of January 24, 2026. Per the agreement 19,000 share options vest on the 45th day following the date of grant and 9,000 share options vest on a monthly basis starting in the fourth month following the date of grant.

On January 2024, the Company entered into an agreement with Draper, Inc. ("Draper") and Carriage House Capital, Corp. ("Carriage House") to assist the Company in enhancing its market awareness and foster productive, continuing dialogues with shareholders and other market participants. The agreement grants Draper and Carriage 350,000 share options each with the exercise price of $1.05 and expiry date of January 24, 2026. Per the agreement 150,000 share options vest on the 45th day and 61,111 share options vest on a monthly basis starting in the fourth month following the date of grant.

On February 23, 2024, the Company entered into a settlement agreement to issue 70,000 Class B shares to settle $81,900 of trade and other payables.

On February 23, 2024, the Company entered into a settlement agreement to issue 475,000 Class B shares to settle $836,309 of trade and other payables.

On February 23, 2024, the Company granted 55,000 RSUs to advisors of the Company for services provided. The RSUs vested immediately upon grant.

On March 26, 2024, the Board approved an amendment to the loan agreement with Celly, to increase the loan amount from C$1,000,000 to C$1,300,000. The amendment provides the Company the right to convert any loan amount outstanding including interest into Common Shares of Celly at $0.03 per share upon the occurrence of an event of default.

Subsequent to December 31, 2023, the Company entered into an at-the-market offering agreement (the "ATM Agreement") with H.C Wainwright & Co., LLC to sell Class B shares, having an aggregate offering price up to $11,154,232.