



Condensed Interim Consolidated Financial Statements

Elixer Ltd.

For the three and nine months ended September 30, 2022 and 2021

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NOTICE TO READER

Management has compiled the unaudited condensed interim consolidated financial statements of Elixer Ltd. as at September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021. These condensed interim consolidated financial statements have not been audited or reviewed by the Company's independent auditors.

Elixer Ltd.

Condensed Interim Consolidated Statements of Financial Position (Amounts expressed in Canadian dollars unless otherwise stated)

	As at September 30, 2022 \$	As at December 31, 2021 \$
Assets		
Current assets		
Cash	191,479	301,763
Equity instruments (note 4)	4,333,768	13,284,163
Other receivables	—	111,175
Total current assets	4,525,247	13,697,101
Non-current assets		
Equity instruments (note 4)	716,962	690,273
Convertible debentures receivable (note 5)	2,129,909	2,129,909
Loans to directors and officers (note 6)	309,934	318,343
Total non-current assets	3,156,805	3,138,525
	7,682,052	16,835,626
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	2,024,988	1,910,039
Convertible debentures payable (note 7)	412,123	430,624
Other loans payable (note 8 and 10)	4,444,427	6,114,084
Total current liabilities	6,881,538	8,454,747
Non-current liabilities		
Other loans payable (note 8 and 10)	3,262,413	—
Equity		
Share capital (note 9)	53,364,762	53,255,443
Warrants (note 9)	4,745,753	4,745,753
Contributed surplus	16,662,012	16,662,012
Accumulated other comprehensive loss	91,789	47,746
Deficit	(77,326,215)	(66,330,075)
Total equity	(2,461,899)	8,380,879
	7,682,052	16,835,626

Going concern uncertainty (note 1)
Contingent liabilities and commitments (note 11)
Subsequent events (note 12)

See accompanying notes

On behalf of the Board

Director

Director

Elixer Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Amounts expressed in Canadian dollars unless otherwise stated)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue				
Finance income (<i>note 3</i>)	15,364	263,701	72,763	791,446
	15,364	263,701	72,763	791,446
Expenses				
Administrative expenses (<i>note 3</i>)	386,359	566,330	982,627	1,647,316
Finance expense (<i>notes 3</i>)	718,644	364,432	2,520,939	1,437,149
Depreciation	—	653	—	1,467
Provision for doubtful receivables (<i>note 5</i>)	—	256,134	—	790,125
Net (gain) loss on financial assets measured at fair value through profit or loss (<i>note 4</i>)	(1,175,970)	8,814,963	7,478,623	365,188
Realized gain on sale of investments	—	(1,020,017)	—	(1,020,017)
Foreign exchange losses	44,115	1,305	86,713	3,528
	(26,852)	8,983,800	11,068,902	3,224,756
Net profit (loss) for the period	42,216	(8,720,099)	(10,996,139)	(2,433,310)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gain on translation of foreign subsidiaries, net of taxes of \$Nil (2021 - \$Nil)	12,189	846	44,043	7,138
Other comprehensive income	12,189	846	44,043	7,138
Comprehensive loss	54,405	(8,719,253)	(10,952,096)	(2,426,172)
Net profit (loss) per share				
Basic and fully diluted	0.00	(0.78)	(0.99)	(0.22)
Weighted average number of outstanding shares	11,344,228	11,198,165	11,147,754	11,206,147

See accompanying notes

Elixer Ltd.

Condensed Interim Consolidated Statements of Changes in Equity (Amounts expressed in Canadian dollars unless otherwise stated)

For the nine months ended September 30,

	Share capital		Warrants		Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
	#	\$	#	\$	\$	\$	\$	\$
Balance – January 1, 2021	6,335,080	49,571,514	974,686	4,296,673	13,520,910	36,777	(62,667,365)	4,758,509
Foreign exchange gain on translation of foreign subsidiaries, net of taxes of \$Nil	-	-	-	-	-	7,138	-	7,138
Net loss for the period	-	-	-	-	-	-	(2,433,310)	(2,433,310)
Comprehensive loss for the period	-	-	-	-	-	7,138	(2,433,310)	(2,426,172)
Expiry of warrants (note 9)	-	-	(338,259)	(3,246,570)	3,246,570	-	-	-
Share purchase loans to directors and officers fair value adjustment (notes 6 and 9)	-	5,338	-	-	-	-	-	5,338
Share purchase loans to directors and officers - accretion (notes 6 and 9)	-	85,971	-	-	-	-	-	85,971
Issuance of shares to settle AIP loan (note 9)	2,437,540	1,844,490	2,437,540	1,811,820	-	-	-	3,656,310
Issuance of shares to settle Arlington (note 9)	2,437,540	1,844,490	2,437,540	1,811,820	-	-	-	3,656,310
Repurchase of share capital (note 9)	(75,600)	(98,139)	-	-	-	-	-	(98,139)
Stock-based compensation (notes 3 and 9)	-	-	-	-	787	-	-	787
Balance – September 30, 2021	11,134,560	53,253,664	5,511,507	4,673,743	16,768,267	43,915	(65,100,675)	9,638,917
Balance – January 1, 2022	11,126,100	53,255,443	5,511,507	4,745,753	16,662,012	47,746	(66,330,075)	8,380,879
Foreign exchange gain on translation of foreign subsidiaries, net of taxes of \$Nil	-	-	-	-	-	44,043	-	44,043
Net loss for the period	-	-	-	-	-	-	(10,996,140)	(10,996,140)
Comprehensive loss for the period	-	-	-	-	-	44,043	(10,996,140)	(10,952,097)
Share purchase loans to directors and officers - accretion (notes 6 and 9)	-	(4,089)	-	-	-	-	-	(4,089)
Issuance of shares for amendment of AIP loan	643,518	695,000	-	-	-	-	-	695,000
Repurchase of share capital (note 9)	(430,731)	(581,592)	-	-	-	-	-	(581,592)
Balance – September 30, 2022	11,338,887	53,364,762	5,511,507	4,745,753	16,662,012	91,789	(77,326,215)	(2,461,899)

See accompanying notes

Elixer Ltd.

Condensed Interim Consolidated Statements of Cash Flows (Amounts expressed in Canadian dollars unless otherwise stated)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022 \$	2021 \$	2022 \$	2021 \$
Operating activities				
Net (loss) profit for the period	42,216	(8,720,099)	(10,996,140)	(2,433,310)
Finance income (note 3)	(255)	(271,273)	(72,764)	(700,487)
Finance expense (note 3)	718,644	364,432	2,520,939	1,437,149
Net (gain) loss of financial assets measured at fair value through profit or loss	(1,175,970)	8,814,963	7,478,623	365,188
Provision for doubtful receivables (note 5)	—	256,134	—	790,125
Depreciation	—	653	—	1,467
Stock-based compensation (notes 3 and 9 (d))	—	—	—	787
Interest payments	(623,497)	(114,746)	(1,144,065)	(601,266)
Realized gain on sale of shares	—	(1,020,017)	—	(1,020,017)
Unrealized foreign exchange loss (gain)	21,044	(11,060)	76,445	(45,179)
	(1,017,818)	(701,013)	(2,136,962)	(2,205,543)
Change in non-cash working capital items				
Increase (decrease) in account payable	166,914	(122,546)	(974,167)	(607,915)
(Increase) decrease in other receivables	575	(2,874)	137,354	160,569
Net cash flows from operating activities	(850,329)	(826,433)	(2,973,775)	(2,652,889)
Investing activities				
Sale of investment in equity investments / associates	866,020	1,901,126	1,445,083	1,901,126
Cash flows from investing activities	866,020	1,901,126	1,445,083	1,901,126
Financing activities				
Repayment of convertible debenture payable (note 7)	—	(400,000)	—	(400,000)
Proceeds from other loans payable (note 8 (a))	—	—	2,000,000	—
Repurchase of share capital (note 9 (a) (ii))	—	(98,139)	(581,592)	(98,139)
Cash flows from financing activities	—	(498,139)	1,418,408	(498,139)
Increase (decrease) in cash	15,691	576,554	(110,284)	(1,249,902)
Cash, beginning of period	175,788	276,292	301,763	2,102,748
Cash, end of period	191,479	852,846	191,479	852,846
Supplemental cash flow information				
Issuance of shares in connection with AIP amendment (note 8)	695,000	—	695,000	—
Issuance of shares and warrants in connection with Arlington and AIP debt settlement (note 8)	—	—	—	7,312,620
Interest paid	623,497	114,746	1,144,065	601,266

See accompanying notes

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Notes to Condensed Interim Consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise stated)

For the three and nine months ended September 30, 2022 and 2021

1. Nature of operations and going concern uncertainty

Elixer Ltd. (“Elixer” or the “Company”) was incorporated under the Canada Business Corporations Act on July 9, 2004. Elixer is a publicly listed company and its shares are listed on the TSX Venture Exchange (the “TSX-V”) under the symbol “ELXR” (“LG” prior to August 6, 2019). The registered office of Elixer is located at 1100 Boulevard Rene- Levesque Ouest Suite 700, Montréal, Québec, Canada H5B 4N4.

Elixer and its wholly-owned subsidiaries, LGC Finance Limited (formerly Leni Gas Cuba Limited) (“LGC Finance”), LGC Capital EU OU (“LGC Estonia”) and LGC Capital Spain S.L (“LGC Spain”), are collectively referred to as the “Company” in these condensed interim consolidated financial statements.

Elixer is an investment company whose primary focus had been in the cannabis sector. Although the Company still retains certain investments (or holdings) in that sector, it has been investigating opportunities in other areas of economic activity.

On February 10, 2022, the Company completed a share consolidation of all of its issued and outstanding common shares on the basis of one post-consolidated common share for every one hundred pre-consolidated common share (*note 14*). All share and per share data presented in the Company’s consolidated financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

All amounts are expressed in Canadian dollars unless otherwise noted. Certain amounts in these condensed interim consolidated financial statements are expressed in British pounds (“GBP”), Australian dollars (“AUD”), United States dollars (“USD”), Euros (“EUR”) and Swiss Francs (“CHF”).

Going Concern Uncertainty

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Company has not earned significant revenues and is considered to be in the development stage. Operating and administration expenditures comprise a significant portion of the Company’s activities. Investing in the legal cultivation and production of cannabis products is highly speculative and involves inherent risks.

The Company’s current committed cash resources are insufficient to cover expected expenditures for the next 12 months. The Company’s ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurance that management will be successful in securing adequate financing. In addition, while the Company’s future development activities in relation to its cannabis investments look promising, there can be no assurance that the results of its investment strategies will be successful in the near term.

The Company reported a net loss for the nine months ended September 30, 2022, of \$10,996,140 (for the year ended December 31, 2021 – \$3,662,710 and cash used in operating activities of \$2,973,774 (for the year ended December 31, 2021 - \$4,019,011). These recurring losses and the need for continued financing to further successful development activities indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to any adjustments to the carrying values and classifications of assets and liabilities that might be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

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Notes to Condensed Interim Consolidated Financial Statements

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2. Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2022 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the financial statements for the year ended December 31, 2021. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

The condensed interim consolidated financial statements have been prepared on a historical basis, except for equity instruments, investments in associates, convertible debentures receivable, royalty streams and the embedded derivative in connection with the convertible debenture payable that have been measured at fair value. The Board of Directors authorized these condensed interim consolidated financial statements for issue on November 23, 2022.

Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of Elixer and its subsidiaries as described in note 1. All intra-group balances, income and expenses and unrealized gains and losses, resulting from intra-group transactions are eliminated in full on consolidation. The condensed interim consolidated financial statements of the subsidiaries are prepared using the same reporting year / period and same accounting policies as Elixer.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of Elixer. The functional currency of LGC Finance is the GBP and that of LGC Estonia and LGC Spain are each the EUR.

2.2 Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the date of the condensed interim consolidated financial statements. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) COVID-19

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company and its investees by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. Presently, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. The Company is monitoring its investment portfolio and possible disruptions to the underlying

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Notes to Condensed Interim Consolidated Financial Statements

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For the three and nine months ended September 30, 2022 and 2021

businesses as a result of COVID-19. The extent of any disruption and the long-term consequences to those businesses is not yet clear.

2.3 New Accounting Standards Issued But Not Yet Effective

New Accounting Standards Issued But Not Yet Effective Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on Elixer in the current or future reporting periods.

3. Finance income and expense and administrative expenses

The following is a breakdown of the nature of expenses included in finance income, administration expenses and finance expense for the three and nine months ended September 30, 2022 and 2021:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Finance income:				
Interest on convertible debentures receivables	—	256,134	—	760,871
Accretion of loans to directors and officers (note 6)	6,748	7,567	21,856	30,283
Accretion on convertible debenture payable (note 7)	8,614	—	50,906	—
Other interest	1	—	1	292
Total	15,363	263,701	72,763	791,446
Administrative expenses:				
Salaries and other employee benefits	176,406	144,233	475,298	397,062
Directors' fees and consultancy	60,000	65,513	206,178	370,465
Legal fees	52,865	67,768	150,201	199,853
Consultancy fees	33,866	66,500	115,276	203,912
Professional fees	35,350	102,252	115,522	182,159
Office expenses	84,946	29,235	87,630	94,692
Investor / public relations	6,800	84,637	18,640	119,438
Regulatory	(25,038)	9,401	(50,380)	57,235
Other administration	(38,836)	(3,209)	(135,738)	22,500
Total	386,359	566,330	982,627	1,647,316
Finance expense:				
Fair value adjustment on extension of loans to directors and officers (note 6)	—	—	—	31,245
Interest on convertible debentures payable (note 7)	11,287	25,823	33,582	89,271
Interest on loans payable (note 8)	550,395	231,941	1,401,648	996,632
Issuance of shares of loan payable (note 8)	—	—	695,000	—
Accretion expense on loans payable (note 8)	156,963	106,668	390,709	320,001
Total	718,645	364,432	2,520,939	1,437,149

4. Equity Instruments

A breakdown of equity instruments as at September 30, 2022 and December 31, 2021 are summarized as follows:

	Little Green Pharma Limited	Freia Farmaceutici SRL	Total
	\$	\$	\$
Balance, January 1, 2021	15,231,555	759,370	15,990,925
Sale of shares	(2,185,758)	—	(2,185,728)
Revaluation gain (loss)	238,336	(69,097)	169,239
Balance, December 31, 2021	13,284,163	690,273	13,974,436
Sale of shares	(1,445,083)	—	(1,445,083)
Revaluation gain (loss)	(7,505,312)	26,689	(7,478,623)
Balance, September 30, 2022	4,333,768	716,962	5,050,730

Elixer Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise stated)

For the three and nine months ended September 30, 2022 and 2021

(a) Little Green Pharma Limited (“LGP”)

During the year ended December 31, 2021, the Company divested 3,156,219 shares of LGP for total proceeds of \$2,185,727 (for the year ended December 31, 2020 - \$1,060,830). As at December 31, 2021, the Company's equity interest in LGP fair value was determined to be \$13,284,163. In addition, the Company reclassified LGP to current equity interest as the entire amount will be available for sale in February 2022.

As at September 30, 2022, the Company's equity interest in LGP fair value was determined to be \$4,333,768 (as at December 31, 2021 - \$13,284,163). During the three and nine months ended September 30, 2022, the Company divested 1,677,405 and 3,207,442 shares of LGP, respectively (for the three and nine months ended September 30, 2021 – 2,690,000 and 2,690,000, respectively) for total proceeds of \$866,020 and \$1,445,083, respectively, (for the three and nine months ended September 30, 2021 - \$1,901,126 and \$1,901,126, respectively). Subsequent to September 30, 2022, the Company sold 2,087,104 shares of LGP for total proceeds of \$403,219.

(b) Freia Farmaceutici S.R.L. (“Freia”)

In May 2020, the Company's equity interest in Freia decreased from 22.31% to 19.36% due to additional financing from Freia investors other than Elixer. As at that date, management conducted a review of its investment in Freia and concluded that it no longer exerted significant influence over the operations of Freia and consequently, the Company reclassified the value of its investment in Freia to equity instruments and adjusted the carrying value of the equity investment down to its fair value of \$759,370 as at December 31, 2020. As at September 30, 2022, the carrying value was determined to be \$716,962 (As at December 31, 2021 - \$690,273).

5. Convertible debentures receivable

(a) Tricho-Med Corporation (“Tricho-Med”) convertible debentures receivable

On January 8, 2018, the Company announced that it had finalized a transaction with Quebec-based Tricho-Med and had entered into a four-year secured convertible loan agreement in an amount of \$4,000,000 (the “Tricho-Med Debenture”). Upon Tricho-Med obtaining a license to cultivate cannabis from the relevant regulatory authorities, the Tricho-Med Debenture will automatically convert into common shares of Tricho-Med. On conversion, the Company would then receive 49% of Tricho-Med's then-issued and outstanding shares. In the event that Tricho-Med does not become a publicly listed company within twelve months of having obtained the license, the Company will receive such number of shares so that it owns 54% of the then-issued and outstanding shares of Tricho-Med. Upon conversion into equity, the Company will also be entitled to a 5% royalty on Tricho-Med's net sales for an unlimited time period. The Tricho-Med Debenture bears interest at an annual rate of 10%, has a term of four years, matured on December 21, 2021, and is secured by first-ranking security on all of the assets of Tricho-Med. As at June 30, 2019, the amounts drawn down under the Tricho-Med Debenture totaled \$4,000,000.

In October 2020, the Company filed an application with the Superior Court of Quebec for surrender and taking in payment of Tricho-Med's assets, which were pledged as security under the terms of the convertible debenture (*note 12*). As at December 31, 2020, the fair value of the convertible debenture was determined to be \$2,129,909, which was calculated based on the fair value of the underlying Tricho-Med assets that were pledged as security under the terms of the convertible debenture. As at December 31, 2021, the fair value of the convertible debenture remains unchanged at \$2,129,909 with interest receivable in the amount of \$1,426,835 being fully provided for and recorded in a provision for doubtful accounts. As at September 30, 2022, the fair value of the convertible debenture remains unchanged at \$2,129,909 (As at December 31, 2021 - \$2,129,909).

(b) Global Canna Labs (“GCL”) convertible debentures receivable

In view of GCL's current challenging liquidity position, the Board of Directors decided to record a fair value adjustment to bring the fair value to \$Nil for its convertible debenture receivable exposure to GCL. Consequently, during the year ended December 31, 2020, the Company recorded, a fair value adjustment related to the GCL convertible debenture receivable amounting to \$1,923,093. As at September 30, 2022, the fair value of the convertible debenture remains unchanged at \$Nil (as at December 31, 2021 - \$Nil).

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(c) Evolution BNK (“Evolution”) convertible debentures receivable

In view of Evolution’s current challenging liquidity position, the Board of Directors decided to record a fair value adjustment to bring the fair value to \$Nil for its convertible debenture receivable exposure to Evolution. Consequently, during the year ended December 31, 2020, the Company recorded, a fair value adjustment related to the Evolution Debenture amounting to \$3,313,442. In addition, interest receivable, in the amount of \$761,364 relating to convertible debenture receivable have been fully provided for and recorded in a provision for doubtful accounts. As at September 30, 2022, the fair value of the convertible debenture remains unchanged at \$Nil (As at December 31, 2021 - \$Nil).

6. Loans to directors and officers

	Share purchase loans and advance to exercise stock options / warrants	Loans to fund payment of taxes
	\$	\$
Balance, January 1, 2021	166,064	362,453
Fair value adjustment on extension	(5,338)	(25,907)
Repayment	(90,000)	(54,962)
Accretion during the period	5,345	36,759
Balance, December 31, 2021	76,071	318,344
Repayment	—	(26,178)
Accretion during the period	4,089	17,768
Balance, September 30, 2022	80,160	309,934

On February 12, 2020, Elixer announced that it had agreed to extend the maturity date of three existing loans to the directors and officers of each of the loans for a period of three years to February 12, 2023. The extensions have been approved by the TSX-V and approved at the shareholders’ meeting held on June 15, 2021.

During the three and nine months ended September 30, 2022, respectively, the value of accretion income recognized in respect of these loans amounted to \$6,748 and \$21,856, respectively (for the three and nine months ended September 30, 2021 - \$7,567 and \$30,283, respectively).

7. Convertible debentures payable

During June 2021, the Company entered into a settlement agreement. The Company shall make cash payments in such instalments that the Company may determine in its discretion so that the debenture is repaid in full no later than the date which is four months from June 2021. Interest shall accrue at the rate of 12% per annum on the declining unpaid balance of the debt until paid in full. Subsequent to maturity, the Company has repaid USD\$275,000.

On review of the terms of the original and revised debentures, the Company determined that the new debentures were substantially different from those of the 2020 Debentures due to the removal of the conversion feature in the new debentures. Accordingly, the Company has treated this transaction as an extinguishment and recognized a gain on extinguishment of \$72,170 in finance expense.

A breakdown of convertible debentures payable as at September 30, 2022 and December 31, 2021 are as follows:

	Host debt component \$	Common share purchase warrants \$	Total \$
Balance, January 1, 2021	1,123,075	67,646	1,190,721
Repayment – 2020 Debentures	(744,805)	—	(744,805)
Accretion – 2020 Debentures	48,534	—	48,534
Expiry of warrants transferred to contributed surplus	—	(67,646)	(67,646)
Foreign currency gain on translation	3,820	—	3,820
Balance, December 31, 2021	430,624	—	430,624
Accretion – 2020 Debentures	(54,176)	—	(54,176)
Foreign currency gain on translation	35,675	—	35,675
Balance, September 30, 2022	412,123	—	412,123

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During the three and nine months ended September 30, 2022, interest expense amounted to \$11,287 and \$33,582, respectively (for the three and nine months ended September 30, 2021 – \$25,823 and \$89,271, respectively).

8. Other loans payable

A breakdown of loans payable as at September 30, 2022 and December 31, 2021 are as follows:

	2022	2021
	\$	\$
GMF and AIP	—	2,308,516
AIP Fund	7,666,840	3,765,568
Windsor Family Credit Union	40,000	40,000
Total other loans payable	7,706,840	6,114,084
Less: Current loans payable	(4,444,427)	(6,114,084)
Non-current other loans payable	3,262,413	—

(a) Arlington Capital Inc. (“Arlington”)

On June 28, 2021, the Company announced securities for-debt transactions with Arlington pursuant to which the Company settled \$3,656,310 of maturing debt owing to Arlington by the issuance to Arlington of a total of 2,437,540 common shares of the Company at a price of \$1.50 per share and 2,437,540 common share purchase warrants. Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of \$5.00 each. During December 2021, after giving effect of the debt settlement, the Company repaid the bridge loan in full including interest totalling \$1,172,533.

(b) Global Macro Fund L.P. (“GMF”), and AIP Asset Management Inc. (“AIP”)

On June 28, 2021, the Company announced securities for-debt transactions with AIP pursuant to which the Company settled \$3,656,310 of maturing debt owing to AIP by the issuance to AIP of a total of 2,437,540 common shares of the Company at a deemed price of \$1.50 per share and 2,437,540 common share purchase warrants. Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of \$5.00 each.

On November 26, 2021, the Company entered into an unsecured bridge loan in the amount of \$2,000,000, bearing interest at 24% per annum, payable monthly in advance. The Company was in receipt of the \$2,000,000 on December 7, 2021, which will be repaid in full upon issuance of any AIP Fund loans. On February 15, 2022, the Company was in receipt of an additional \$1,000,000. On closing of the AIP Fund loan, the entire \$3,000,000 bridge loan and \$308,516 balance of GMF unconverted loan were fully repaid with AIP loan proceeds.

For the three and nine months ended September 30, 2022, after giving effect of the debt settlement, interest charged in respect of this loan, amounting to \$Nil and \$260,170, respectively (for the three and nine months ended September 30, 2021 – \$10,411 and \$222,138, respectively), have been recorded in the condensed interim consolidated statement of loss. As at September 30, 2024, interest accrued but unpaid in respect of the bridge loan, totaling \$Nil (December 31, 2021 - \$Nil), has been recorded in the condensed interim consolidated statement of financial position under other loans payable.

(b) Windsor Family Credit Union

During April 2020, the Company received \$40,000 from its financial institution for relief to support small business as a result of COVID-19. The loan is interest free until December 31, 2022; no minimum monthly interest payments required until January 1, 2023; no penalty for early repayments; and up to 25%, or \$10,000, loan forgiveness if 75%, or \$30,000, of principal loan is paid in full on or before December 31, 2023.

(c) AIP Convertible Private Debt Fund L.P. (“AIP Fund”)

On October 7, 2020, the Company closed its previously announced secured loan for the principal amount of \$4,000,000 with AIP Convertible Private Debt Fund L.P. effective August 28, 2020. The loan has a term of 24 months, bears interest at the rate of 17% per annum and is secured by a general security agreement on all of the present and future assets of the Company.

On closing, the Company paid to AIP Fund (i) a facility fee of \$200,000; (ii) a closing fee of \$250,000; and (ii) a monitoring agent fee of \$195,000, in respect of the loan. The Company also issued to AIP Fund a bonus consisting of 463,333 common shares of the Company at the trading price of \$1.00 per share, representing 20% of the net amount of the loan. These shares are

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subject to a hold period of four months and one day from the date of their issuance. Elixer used the proceeds of the loan for working capital purposes and to pursue future investments.

On April 29, 2022, the Company entered into an agreement with AIP Fund to amend its existing secured loan. The Company has closed its previously announced amended loan with AIP Fund. Further to the amendment, AIP Fund has loaned the Company an additional \$4,000,000 which will: (i) have a maturity of 24 months from the date of closing; (ii) bear interest at the rate of 17% per annum; and (iii) be secured by a general security agreement on the assets of the Company in favour of AIP.

On closing with the approval of the TSX-V, the Company paid to AIP (i) a facility fee of \$200,000; (ii) a closing fee of \$250,000; (iii) legal fees of \$3,500; and (iv) a monitoring fee of \$195,000. The Company also issued to AIP a bonus of 643,518 common shares of the Company at a trading price of \$1.08 per share, representing 20% of the net amount of the additional disbursement. The Company used the proceeds from the amended loan for working capital purposes, to pursue future investments and repayment of the AIP bridge loan of \$3,000,000 and \$308,516 balance of GMF unconverted loan were fully repaid with AIP loan proceeds.

During the three and nine months ended September 30, 2022, the value of accretion expense recognized in respect of these loans amounted to \$156,963 and \$1,085,709, respectively (for the three and nine months ended September 30, 2021 - \$106,668 and \$320,001, respectively). In addition, for the three and nine months ended September 30, 2022, interest charged in respect of this loan, amounting to \$549,864 and \$1,141,477 respectively (for the three and nine months ended September 30, 2021 - \$171,397 and \$450,849, respectively), has been recorded in the condensed interim consolidated statement of loss. As at September 30, 2022, interest accrued but unpaid in respect of the bridge loan, totaling \$159,062 (December 31, 2021 - \$Nil), has been recorded in the condensed interim consolidated statement of financial position under other loans payable. In accordance with the terms of the Note Purchase Agreement (see *note 8*), the Company is required to maintain certain covenants of which the Company is in default of one which resulted in additional interest of 10% per annum until covenant are met / maintained.

As the debt settlement transactions were with shareholders of the Company, the substance of the transaction includes an equity distribution to the borrower and the transaction is not within the scope of International Financial Reporting Interpretations Committee ("IFRIC") 19. Accordingly, the Company has not recognized a gain or loss on the derecognition of the liability. The increase in equity from the issuance of shares and warrants has been measured by reference to the carrying amount of the debt that has been extinguished, with no gain or loss recognized in net loss.

9. Share capital

Authorized - Common

An unlimited number of common shares, voting, participating, without par value.

(a) Common shares

	September 30, 2022		December 31, 2021	
	#	\$	#	\$
Issued common shares	11,338,887	53,444,922	11,126,100	53,331,514
Share purchase loans to directors and officers	—	(80,160)	—	(76,071)
Issued and fully paid common shares	11,338,887	53,364,762	11,126,100	53,225,443

On February 3, 2022, the Company announced, the consolidation of all of its issued and outstanding common shares on the basis of one (1) post-consolidated common share for every one hundred (100) pre-consolidated common shares (the "Consolidation") will take effect as at February 10, 2022 and approved by the TSX-V.

The Consolidation has resulted in the number of issued and outstanding common shares being reduced from the previous outstanding of 1,102,222,031 to approximately 11,022,220 common shares, and each shareholder will hold the same percentage of common shares outstanding immediately after the Consolidation as such shareholder held immediately prior to the Consolidation. The exercise price and number of common shares of the Company issuable upon the exercise of outstanding stock options, warrants or other convertible securities will be proportionately adjusted to reflect the Consolidation in accordance with the terms of such securities. No fractional shares will be issued as a result of the Consolidation. All fractions of common

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shares post-Consolidation will be rounded down to the next lowest whole number if the first decimal place is less than five and rounded up to the next highest whole number if the first decimal place is five or greater. No cash consideration has been paid in respect of fractional shares.

Issuances and repurchase during the nine months ended September 30, 2022

The Company repurchased 430,731 common shares at an average price of \$1.34 per share for a total amount of \$581,342 under the NCIB program.

Issuances and repurchase during the year ended December 31, 2021

(i) AIP and Arlington Debt Settlement

On June 28, 2021, the Company closed its previously announced securities for-debt transactions with AIP and Arlington pursuant to which the Company settled (i) \$3,656,310 of maturing debt owing to AIP by the issuance to AIP of a total of 2,437,540 common shares of the Company at a price of \$1.50 per share and 2,437,540 common share purchase warrants and (ii) \$3,656,310 of maturing debt owing to Arlington by the issuance to Arlington of a total of 2,437,540 common shares of the Company at a price of \$1.50 per share and 2,437,540 common share purchase warrants. Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of \$5.00 each (*note 9 (a) and (d)*).

(ii) On August 4, 2021, the Company announced that, further to its press release dated July 6, 2021, the TSX-V has accepted the Company's notice to implement a NCIB to purchase for cancellation up to an aggregate of 560,508 of its issued and outstanding common shares, representing 5% of the Company's current issued and outstanding common shares. The NCIB will commence on August 9, 2021, and will remain in effect until the earlier of (i) August 8, 2022, (ii) the date on which the Company acquires the maximum number of common shares permitted under the NCIB, or (iii) the date upon which the Company provides written notice of termination of the NCIB to the TSX-V. The Company has engaged Integral Wealth Securities Inc. as its broker for the NCIB. The NCIB will be conducted through the facilities of the TSX-V, and purchases of common shares will be made in accordance with the applicable policies of the TSX-V at the prevailing market price of such common shares at the time of purchase. All common shares acquired by the Company under the NCIB will be cancelled. As of the date hereof, the Company has 11,210,160 common shares issued and outstanding. The Company may not purchase more than 2% of its issued and outstanding common shares during any 30-day period, which as of the date hereof represented 224,203 common shares. Since the August 9, 2021, commencement of this NCIB program and up to December 31, 2021, the Company repurchased 84,060 common shares at an average price of \$1.27 per share for a total amount of \$106,599. In addition, the Company repurchased 20,630 shares for an average cost of \$1.10 which were not cancelled as at December 31, 2021.

(b) Stock options

During the shareholders' meeting held on June 15, 2021, the Company has amended its stock option plan to increase the number of common shares that may be issued thereunder. The plan is a fixed stock option plan, and the amendment increases the number of common shares reserved for issuance under plan from 833,318 to 1,267,016, being 20% of the Company's issued and outstanding common shares.

The outstanding options as at September 30, 2022 and December 31, 2021 and the respective changes during the nine months ended September 30, 2022 and the year ended December 31, 2021 are summarized as follows:

	September 30, 2022		December 31, 2021	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Outstanding, beginning period	118,000	5.56	172,064	6.13
Forfeited during the period	—	—	(54,064)	10.46
Outstanding, end of period	118,000	5.56	118,000	5.56

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The following options are outstanding and exercisable as at September 30, 2022:

Options outstanding					
Range of exercise price	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$	#	(in years)	\$	#	\$
5.00 to 9.90	112,000	2.30	5.00	112,000	5.00
15.00 to 19.90	6,000	0.54	16.00	6,000	16.00
5.00 to 19.90	118,000	2.21	5.56	118,000	5.56

There were no options granted during the nine months ended September 30, 2022.

(c) Warrants

The outstanding warrants as at September 30, 2022 and December 31, 2021 are summarized as follows:

	September 30, 2022			December 31, 2021		
	Number of warrants	Weighted average remaining contractual life	Weighted average exercise price	Number of warrants	Weighted average remaining contractual life	Weighted average exercise price
	#	(in years)	\$	#	(in years)	\$
Outstanding balance, beginning of period	5,511,507	3.97	5.38	974,686	1.51	15.96
Warrants issued during the period	—	—	—	4,875,080	4.50	5.38
Warrants expired during the period	—	—	—	(338,259)	—	(30.38)
Outstanding balance, end of period	5,511,507	3.77	5.38	5,511,507	4.26	4.26

The fair value of warrants granted during the year ended December 31, 2021, relating to the Arlington and AIP debt settlements were estimated at their respective grant dates using a valuation based on Black Scholes option pricing model, using the following weighted average assumptions: risk free interest rate of 0.80%; expected volatility of 230%; dividend yield of Nil; expected life (in years) of 5.00; share price at grant date of \$5.00; and exercise price of \$1.50. Resulting in a fair value at grant date of \$1.50.

10. Related party transactions

In addition to the related party transactions disclosed elsewhere, the Company entered into the following related party transactions.

(a) During the three and nine months ended September 30, 2022, the Company incurred fees from a number of management entities of which certain officers or directors of the Company are a related party, by virtue of economic interests in such entities. For the three and nine months ended September 30, 2022, the total amount for such services was \$48,000 and \$144,000, respectively, which was recorded in directors' fees (for the three and nine months ended September 30, 2021 – \$36,000 and \$80,000, respectively). As at September 30, 2022, an amount of \$62,675 (December 31, 2021 - \$16,000) owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

(b) Compensation of key management personnel and Board of Directors. Excluding the amounts reported above, during the three and nine months ended September 30, 2022 and 2021, the Company recorded the following compensation for key management personnel and the Board of Directors:

	For the three months ended September 30,		For the six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Directors' fees	12,000	28,000	62,178	80,000
Management fees (included within salaries and other employee benefits (note 3))	125,049	108,566	371,673	350,395
	137,049	136,566	433,851	430,395

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(c) The Company incurred interest charges on loan received from GMF and AIP, a shareholder of the Company. For the three and nine months ended September 30, 2022, after giving effect of the debt settlement, interest charged in respect of this loan, amounting to \$Nil and \$270,170, respectively (for the three and nine months ended September 30, 2021 – \$10,411 and \$222,138, respectively), have been recorded in the condensed interim consolidated statement of loss. As at September 30, 2024, interest accrued but unpaid in respect of the bridge loan, totaling \$Nil (December 31, 2021 - \$Nil), has been recorded in the condensed interim consolidated statement of financial position under other loans payable.

The Company also incurred interest charges on loans received from AIP Fund, a related party in its capacity as holder on behalf AIP. For the three and nine months ended September 30, 2022, interest charged in respect of this loan, amounting to \$549,864 and \$1,141,477, respectively (for the three and nine months ended September 30, 2021 – \$171,397 and \$450,849, respectively), has been recorded in the condensed interim consolidated statement of loss. As at September 30, 2022, interest accrued but unpaid in respect of the bridge loan, totaling \$159,062 (December 31, 2021 - \$Nil), has been recorded in the condensed interim consolidated statement of financial position under other loans payable. In addition, on November 12, 2021, the Company entered into an engagement agreement with AIP to act as a merger and acquisition consultant in connection with any proposed acquisition growth strategy of the Company.

11. Financial instruments

General objectives, policies and procedures

The Company's objective when managing capital are to safeguard its ability to continue its investments (*note 1*). The Company's total equity as at September 30, 2022 of (\$2,461,899) (December 31, 2021 - \$8,380,879). As such, the Company relies primarily on the equity markets to fund its activities. In order to carry out planned activities and to pay for administrative costs, the Company will endeavor to spend its existing working capital and raise additional funds as needed. The Company has not paid any dividends.

The Company's Board of Directors has overall responsibility for the determination of the Company's risk management objectives and operating processes that ensure effective implementation of the policies set out below. The Company's Board of Directors receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Principles of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company is exposed through its activities to the following risks: credit risk; liquidity risk and market risk. In addition, the Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The following table shows the carrying amounts and fair values of financial assets and liabilities, including their classification and levels in the fair value hierarchy for the year / period ended:

	Fair value level	September 30, 2022		December 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Cash – amortized costs		191,479	191,479	301,763	301,763
Other receivables – amortized costs		—	—	111,175	111,175
Equity instruments – FVTPL	I and III	5,050,730	5,050,730	13,974,436	13,974,436
Convertible debentures receivable - FVTPL	III	2,129,909	2,129,909	2,129,909	2,129,909
Loans to directors and officers – amortized cost		309,934	309,934	318,343	318,343
Financial liabilities					
Accounts payable and accrued liabilities – amortized costs		2,024,988	2,024,988	1,910,039	1,910,039
Host debt component of convertible debentures payable - FVTPL	II	412,123	412,123	430,624	430,624
Other loans payable – amortized costs		7,706,840	7,706,840	6,114,084	6,114,084

For assets and liabilities measured at fair value as at September 30, 2022, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities during the year / period.

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The fair values of the convertible debenture receivables classified as Level 3, were estimated using valuation techniques including DCF models, Monte Carlo simulation and funded production capacity. The models incorporate management estimates such as liquidity risk, credit risk and volatility and also reasonable estimates for sales projections, discount rates, the probability of the investee to obtain its operating license, the probability of completing a successful IPO by the investee, and also appropriate valuation multiples all based on published data from a basket of similar companies in the cannabis sector.

11. Contingent liabilities and commitments

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. Elixer is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's condensed interim consolidated financial position, results of operations or the ability to carry on any of its business activities.

On July 12, 2019, the Company was advised that it has been served by Tricho-Med with a motion for a declaratory judgement whereby Tricho-Med is seeking the cancellation of the convertible debenture it entered into with the Company in December of 2017 and to repay the entire amount advanced by the Company representing \$4 million dollars plus the interest accrued thereon. Under the terms of the convertible debenture, upon Tricho-Med receiving its license to cultivate cannabis from Health Canada, the loan amount shall be converted into that number of common shares of Tricho-Med equivalent to 49% of Tricho-Med's capital on a fully diluted basis together with a 5% net sales royalty on all of Tricho-Med's future revenues. The Company believes that this action is without merit and the Company is well within its rights to continue to hold position with its investment in Tricho-Med. In October 2020, the Company filed an application with the Superior Court of Quebec for surrender and taking in payment of Tricho-Med's assets, which were pledged as security under the terms of the convertible debenture (*note 5*). The Company believes that this counterclaim has no merit and accordingly no amounts have been accrued related to this counterclaim.

During February 2021, the Company had received a potential claim by its former Chief Executive Officer in respect of the termination of his consulting agreement in the amount of approximately \$1,050,000 offset by Elixer's counter claim of \$312,000 resulting in a net claim of approximately \$738,000. No amounts have been accrued as the outcome is not yet determinable,

12. Subsequent events

Subsequent to September 30, 2022, the Company announced the resignation of its auditors, Baker Tilly WM LLP ("Baker"). Baker resigned on their own initiative, which resignation has been reviewed by the Company's board. Baker has advised that its resignation is a business decision of such firms and has confirmed that there are no reportable events, "disagreements" or "unresolved issues" in connection with the change of auditor. Elixer has commenced the process to engage a replacement auditor for the 2022 fiscal year.

On November 16, 2022, the Company announced that it is continuing its discussions with regard to a potential acquisition which have been ongoing since May of this year. Changes in the deal structure as well as delays in the completion of the audit have resulted in numerous setbacks in coming to final terms. In the interim, the Company has also been considering other potential opportunities in industries unrelated to cannabis. However, there is no acquisition agreement in place and no certainty that the Company will conclude any such agreement.

In addition, the Company wishes to announce that it has finalized the terms of an agreement with AIP Asset Management Inc. on behalf of AIP Convertible Private Debt Fund LP ("AIP") in connection with M&A advisory services that AIP has been providing since November 2021 to identify and evaluate potential transactions as well and has been assisting the Corporation with structuring and due diligence with regards to these transactions. The agreement calls for a monthly work fee retainer of \$75,000 payable in cash since the beginning of the engagement agreement which will terminate on the earlier of November 2023 or three months from the date that either party hereto provides written notice to that effect. The agreement may be extended for an additional period of twelve (12) months.