Condensed Interim Consolidated Financial Statements

Elixxer Ltd.

For the three and nine months ended September 30, 2021 and 2020

INDEX

NOTICE TO READER

Management has compiled the unaudited condensed interim consolidated financial statements of Elixxer Ltd. as at September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020. These condensed interim consolidated financial statements have not been audited or reviewed by the Company's independent auditors.

Elixxer Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Amounts expressed in Canadian dollars unless otherwise stated)

	As at September 30, 2021 $	As at December 31, 2020 $
Assets		
Current assets		
Cash	**852,846**	2,102,748
Other receivables	**61,978**	222,551
Total current assets	**914,824**	2,325,299
Non-current assets		
Equity instruments (*note 4)*	**14,744,628**	15,990,925
Convertible debentures receivable (*note 5)*	**2,129,909**	2,129,909
Loans to directors and officers (*note 6)*	**362,802**	362,453
Fixtures and fittings	**4,080**	5,547
Total non-current assets	**17,241,419**	18,488,834
	18,156,243	20,814,133
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**2,568,541**	2,962,507
Convertible debentures payable (*note 7)*	**669,431**	1,123,075
Other loans payable (*note 8)*	**5,279,357**	11,970,042
Total current liabilities	**8,517,329**	16,055,624
Equity		
Share capital (*note 9)*	**53,253,664**	49,571,514
Warrants (*note 9)*	**4,673,743**	4,296,673
Contributed surplus	**16,768,267**	13,520,910
Accumulated other comprehensive loss	**43,915**	36,777
Deficit	**(65,100,675)**	(62,667,365)
Total equity	**9,638,917**	4,758,509
	18,156,243	20,814,133

Going concern uncertainty (*note 1)*
Contingent liabilities and commitments (*note 12)*

See accompanying notes

On behalf of the Board

Director

"Rafi Hazan" (Signed)

Director

"Ferras Zalt" (signed)

Elixxer 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,**	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Revenue				
Finance income *(note 3)*	**263,701**	406,413	**791,446**	1,300,300
Other revenues	**—**	16,272	**—**	16,272
	263,701	422,685	**791,446**	1,316,572
Expenses				
Administrative expenses *(note 3)*	**566,330**	717,936	**1,647,316**	2,752,472
Finance expense *(notes 3)*	**364,432**	407,740	**1,437,149**	1,228,013
Depreciation	**653**	494	**1,467**	1,472
Share of losses of associates	**—**	(355,278)	**—**	763,187
Impairment of loans receivables	**—**	—	**—**	7,638
Provision for doubtful receivables	**256,134**	133,271	**790,125**	478,390
Net (gain) loss on financial assets measured at fair value through profit or loss *(notes 4 and 5)*	**8,814,963**	(483,165)	**365,188**	(396,886)
Net gain on financial liabilities measured at fair value through profit or loss *(note 7)*	**—**	(145,285)	**—**	(65,785)
Realized gain on sale of investments *(note 4)*	**(1,020,017)**	(75,012)	**(1,020,017)**	(75,012)
Foreign exchange losses	**1,305**	(27,043)	**3,528**	(8,344)
	8,983,800	173,658	**3,224,756**	4,685,145
Net income (loss) for the period	**(8,720,099)**	249,027	**(2,433,310)**	(3,368,573)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gain on translation of foreign subsidiaries	**846**	20,248	**7,138**	22,853
Other comprehensive income	**846**	20,248	**7,138**	22,853
Comprehensive income (loss)	**(8,719,253)**	269,275	**(2,426,172)**	(3,345,720)
Net profit (loss) per share basic and fully diluted	**(0.01)**	(0.00)	**0.00**	(0.01)
Weighted average number of outstanding shares	**1,119,816,460**	560,508,032	**1,120,614,704**	560,508,032

See accompanying notes

Elixxer 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 – Foreign currency translation reserve	Deficit	Total
	#	$	#	$	$	$	$	$
Balance – January 1, 2020	560,508,032	48,963,926	68,649,955	4,361,691	12,714,473	22,746	(52,883,903)	13,178,933
Foreign exchange gain on translation of foreign subsidiaries, net of taxes	-	-	-	-	-	107	-	107
Net loss for the period	-	-	-	-	-	-	(3,368,573)	(3,368,578)
Comprehensive loss for the period	-	-	-	-	-	107	(3,368,573)	(3,368,466)
Expiry of warrants *(note 9)*	-	-	(12,048,055)	(299,809)	299,809	-	-	-
Issuance of convertible debentures payable *(notes 7)*	-	-	14,200,000	73,083	-	-	-	73,083
Issue costs - convertible debentures payable *(note 7)*	-	-	-	(5,369)	-	-	-	(5,369)
Share purchase loans to directors and officers repaid during the period *(notes 6 and 9)*	-	21,905	-	-	-	-	-	21,905
Share purchase loans to directors and officers - accretion during the period *(notes 6 and 9)*	-	(10,736)	-	-	-	-	-	(10,736)
Stock-based compensation *(notes 3 and 9)*	-	-	-	-	408,116	-	-	408,116
Balance – September 30, 2020	560,508,032	48,975,095	70,801,900	4,129,596	13,422,398	22,854	(56,252,476)	10,297,466
Balance – January 1, 2021	**633,508,031**	**49,571,514**	**97,468,566**	**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	-	-	-	-	-	7,138	-	7,138
Net income 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)*	-	-	**(33,825,900)**	**(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	**243,754,000**	**1,844,490**	**243,754,000**	**1,811,820**	-	-	-	**3,656,310**
Issuance of shares to settle Arlington	**243,754,000**	**1,844,490**	**243,754,000**	**1,811,820**	-	-	-	**3,656,310**
Repurchase of share capital *(note 9)*	**(7.560,000)**	**(98,139)**	-	-	-	-	-	**(98,139)**
Stock-based compensation *(notes 3 and 9)*	-	-	-	-	**787**	-	-	**787**
Balance – September 30, 2021	**1,113,456,031**	**53,253,664**	**551,150,666**	**4,673,743**	**16,768,267**	**43,915**	**(65,100,675)**	**9,638,917**

See accompanying notes

Condensed Interim Consolidated Statements of Cash Flows

(Amounts expressed in Canadian dollars unless otherwise stated)

	For the three months ended September 30, 2021 $	For the three months ended September 30, 2020 $	For the nine months ended September 30, 2021 $	For the nine months ended September 30, 2020 $
Operating activities				
Net income (loss) for the period	**(8,720,099)**	249,027	**(2,433,310)**	(3,368,573)
Finance income *(note 3)*	**(271,273)**	(406,413)	**(700,487)**	(1,300,300)
Finance expense *(note 3)*	**364,432**	399,005	**1,437,149**	1,175,409
Net (gain) loss of financial assets measured at fair value through profit or loss	**8,814,963**	(483,165)	**365,188**	(396,887)
Net (gain) of financial liabilities measured at fair value through profit or loss	**—**	(145,285)	**—**	(54,921)
Share of losses of associates	**—**	(355,278)	**—**	763,187
Provision for doubtful receivables	**256,134**	133,271	**790,125**	478,390
Depreciation	**653**	495	**1,467**	1,472
Stock-based compensation *(notes 3 and 9 (d))*	**—**	17,235	**787**	408,116
Interest payment	**(114,746)**	—	**(601,266)**	(157,187)
Realized gain on sale of shares *(note 4)*	**(1,020,017)**	—	**(1,020,017)**	—
Unrealized foreign exchange loss	**(11,060)**	(12,355)	**(45,179)**	83,725
	(701,013)	(603,463)	**(2,205,543)**	(2,367,569)
Change in non-cash working capital items				
Increase (decrease) in account and loan payable	**(122,546)**	(383,146)	**(607,915)**	735,761
Increase (decrease) in other receivables	**(2,874)**	(38,689)	**160,569**	(30,843)
Net cash flows from operating activities	**(826,433)**	(1,025,298)	**(2,652,889)**	(1,662,651)
Investing activities				
Proceeds from investments *(note 4)*	**1,901,126**	1,060,830	**1,901,126**	1,060,830
Net cash flows from investing activities	**1,901,126**	1,060,830	**1,901,126**	1,060,830
Financing activities				
Repayment of convertible debenture payable *(note 7)*	**(400,000)**	—	**(400,000)**	(259,195)
Proceeds from bank loan *(note 8 (c))*	**—**	—	**—**	40,000
Repurchase of share capital *(note 9 (a) (ii))*	**(98,139)**	—	**(98,139)**	—
Net cash flows from financing activities	**(498,139)**	—	**(498,139)**	(219,195)
Increase (decrease) in cash	**576,554**	35,532	**(1,249,902)**	(821,016)
Net foreign exchange differences	**—**	8,400	**—**	(4,494)
Cash, beginning of period	**276,292**	55,060	**2,102,748**	924,502
Cash, end of period	**852,846**	98,992	**852,846**	98,992
Supplemental cash flow information				
Issuance of warrants in connection with convertible debenture payable *(note 7 and 9)*	**—**	—	**—**	73,083
Issuance of shares and warrants in connection with Arlington and AIP debt settlement *(note 8 and 10)*	**—**	—	**7,312,620**	**—**
Interest paid	**114,746**	—	**601,266**	157,187

1. Nature of operations and going concern uncertainty

Elixxer Ltd. ("Elixxer" or the "Company") was incorporated under the Canada Business Corporations Act on July 9, 2004. Elixxer 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 Elixxer is located at 1100 Boulevard Rene- Levesque Ouest Suite 700, Montréal, Québec, Canada.

Elixxer 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.

Elixxer invests in the legal global cannabis market. The Company's aim is to be involved and invested in jurisdictions globally that allow legal cultivation and production of cannabis products, with the exception of investments in businesses operating in the United States. To date, the Company has expanded to securing significant positions in emerging legal cannabis companies in Australia, Canada, Jamaica, Switzerland and Italy.

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, 2021 of $2,433,310 (for the year ended December 31, 2020 net loss of $9,783,462). As at September 30, 2021, the Company's current liabilities exceeded its current assets by $7,602,505 (December 31, 2020 – $13,730,325). 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance
The Company's condensed interim 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, 2021 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, 2020. 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, 2020 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 25, 2021.

Basis of consolidation

The condensed interim financial statements include the financial statements of Elixxer 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 financial statements of the subsidiaries are prepared using the same reporting year / period and same accounting policies as Elixxer.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the functional currency of Elixxer. 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 judgements

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

Notes to Condensed Interim Financial Statements

(Amounts expressed in Canadian dollars unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

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, 2021 and 2020:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
	$	$	$	$
Finance income:				
Interest on loans and note receivable	**—**	133,285	**—**	478,489
Interest on convertible debentures receivables	**256,134**	264,153	**760,871**	788,755
Accretion of loan to Oriah	**—**	**—**	**—**	7,638
Accretion of loans to directors and officers *(note 6)*	**7,567**	8,970	**30,283**	25,313
Other interest	**—**	5	**292**	105
Total	**263,701**	406,413	**791,446**	1,300,300
Administrative expenses:				
Directors' fees and consultancy	**144,233**	311,920	**397,062**	681,615
Stock-based compensation *(note 9 (d))*	**—**	17,234	**787**	408,116
Salaries and other employee benefits	**66,500**	74,698	**203,912**	304,607
Legal fees	**65,513**	19,285	**370,465**	271,656
Consultancy fees	**67,768**	—	**199,853**	199,747
Investor / public relations	**29,235**	60,430	**94,692**	189,966
Office expenses	**102,252**	117,206	**182,159**	177,918
Regulatory	**84,637**	23,024	**119,438**	180,442
Professional fees	**9,401**	31,304	**57,235**	182,668
Travel and business development	**—**	51,012	**—**	119,322
Other administration	**(3,209)**	11,823	**21,713**	36,415
Total	**566,330**	717,936	**1,647,316**	2,752,472
Finance expense:				
Discount on valuation of share purchase loans to directors and officers *(note 6)*	**—**	—	**—**	72,661
Fair value adjustment on extension of loans to directors and officers (note 6)	**—**	—	**31,245**	—
Interest on convertible debentures payable *(note 7)*	**25,823**	90,135	**89,271**	221,240
Accretion of convertible debentures payable *(note 7)*	**—**	48,180	**—**	265,895
Interest on loans payable *(note 8)*	**231,941**	269,425	**996,632**	668,217
Accretion expense on loans payable *(note 8)*	**106,668**	—	**320,001**	—
Total	**364,432**	407,740	**1,437,149**	1,228,013

4. Equity Instruments

A breakdown of equity instruments as at September 30, 2021 and December 31, 2020 are summarized as follows:

	Little Green Pharma Limited	Virid Unit SA	Freia Farmaceutici SRL	Total
	$	$	$	$
Balance, January 1, 2020	**—**	506,605	—	506,605
Reclassification from investments in associates	6,413,593	—	2,677,618	9,091,211
Revaluation gain (loss)	8,817,962	(506,605)	(1,918,248)	6,393,109
Balance, December 31, 2020	15,231,555	—	759,370	15,990,925
Sale of shares	**(881,109)**	**—**	**—**	**(881,109)**
Revaluation gain (loss)	**(328,609)**	**—**	**(36,579)**	**(365,188)**
Balance, September 30, 2021	**14,021,837**	**—**	**722,791**	**14,744,628**

(Amounts expressed in Canadian dollars unless otherwise stated)

(a) Little Green Pharma Limited (formerly Habi Pharma Pty Ltd)

From June 2020, the Company commenced selling its shares in LGP and as at September 30, 2020, the Company's equity interest in LGP reduced to 20.53% and management conducted a review of its investment in LGP and concluded that it no longer exerted significant influence over the operations of LGP. In addition, during December 2020, the Company's equity interest in LGP decreased from 20.53% to 19.76% due to additional financing from LGP investors other than Elixxer. Consequently, the Company reclassified the value of its investment in LGP to equity instruments and adjusted the carrying value of the equity investment to its fair value of $15,231,555 as at December 31, 2020.

During the three and nine months ended September 30, 2021, the Company divested 2,690,000 shares of Little Green Pharma for total proceeds of $1,901,126 and $1,901,126 respectively (for the three and nine months ended September 30, 2020 $1,060,830 and $1,060,830, respectively), which resulted recognized realized gain on disposal of shares of Little Green Pharma of $1,020,017 and $1,020,017 respectively (for the three and nine months ended September 30, 2020 - $75,012 and $75,012, respectively).

As at September 30, 2021, the Company's equity interest in LGP fair value was determined to be $14,021,837.

(b) Investment in Viridi Unit SA

In October 2019, the Company's equity interest in Viridi Unit SA ("Viridi") decreased from 30% to 18.4% due to additional financing of Viridi from investors other than Elixxer. As at that date, management conducted a review of its investment in Viridi and concluded that it no longer exerted significant influence over the operations of Viridi. Consequently, the Company reclassified the value of its investment in Viridi to equity instruments and adjusted the carrying value of the investment down to its fair value of $506,605.

During the year ended December 31, 2020, the Company recorded a revaluation loss against its investment in the Viridi equity amounting to $506,605, which resulted from Viridi's financial performance not being in line with expectations.

As at September 30, 2021, the Company's equity interest in Virdi remains unchanged with its fair value of $Nil.

(c) Freia Farmaceutici S.R.L.

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 Elixxer. 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, 2021, the carrying value was determined to be $722,791

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5. Convertible debentures receivable

A breakdown in the movement of convertible debentures receivable and their respective royalty streams during the year ended December 31, 2020 and the fair value adjustments recognized in the statement of loss during the nine months ended September 30, 2021 and the year ended December 31, 2020 are as follows:

	Tricho-Med Debenture $	GCL Debenture $	Evolution Debenture $	Little Green Pharma Debenture $	Total $
Balance, as at December 31, 2019	633,208	1,923,093	3,313,442	717,103	6,586,846
Reclassification to investment in associates	—	—	—	(717,103)	(717,103)
FVTPL recognized in net gain (loss) during the year	1,496,701	(1,923,093)	(3,313,442)	—	(3,739,834)
Balance, as at December 31, 2020 and September 30, 2021	**2,129,909**	**—**	**—**	**—**	**2,129,909**

During the three and nine months ended September 30, 2021, total interest earned and recognized in the condensed interim consolidated statements of loss in respect of these debentures amounted to $256,134 and $760,871, respectively, which have been fully provided for in in doubtful accounts (for the three and nine months ended September 30, 2020 - $266,153 and $788,755, respectively).

(a) 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, maturing 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. In addition, the Company provided a provision for doubtful accounts for interest receivables of $1,026,116.

As at September 30, 2021, the fair value of the convertible debenture remains unchanged and the Company provided a provision for doubtful accounts for interest receivables of $299,716 for the nine months ended September 30, 2021.

(b) Global Canna Labs convertible debentures receivable

On August 30, 2018 the Company announced the closing in trust of an investment in Global Canna Labs Limited (“GCL”), subject to the pending receipt of the TSX-V’s final approval. Pursuant to the executed closing agreements, Elixxer subscribed for a $2,500,000 secured debenture (the “GCL Debenture”), automatically convertible into an initial 30% interest in GCL upon the successful completion of an IPO. In conjunction with the debenture agreement, the Company also agreed to buy a royalty at 5% on net sales of Global Canna for $3,091,558, payable by way of 15,854,141 shares of Elixxer at a price of $0.195 each. GCL has an option to repurchase the 5% royalty for an amount of $6,000,000. The consideration allocated to the royalty based on fair value was $3,476,180. In addition, the Company paid an arm’s length finder’s fee in respect of the transaction of $257,500, $128,750 in cash and $128,750 by way of 1,020,610 shares of Elixxer. The debenture bears interest at an annual rate of 7%, has a term of four years, maturing on August 30, 2022. Both the debenture and the royalty are fully secured with a first ranking security on all of GCL’s assets.

On September 20, 2018, the Company announced that it had received the final approval bulletin from the TSX-V in respect of Elixxer’s investment into GCL. As at September 30, 2018, the GCL Debenture was fully drawn down with total consideration paid amounting to $5,591,558.

In view of Global Canna Labs’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 Global Canna Labs. Consequently, during the year ended December 31, 2020, the Company recorded, a fair value adjustment related to the Global Canna Labs convertible debenture receivable amounting to $1,923,093 (for the fifteen months ended December 31, 2019 - $Nil). In addition, interest receivable, in the amount of $409,931 relating to the convertible debenture receivable has been fully provided for and recorded in a provision for doubtful accounts.

As at September 30, 2021, the fair value of the convertible debenture remains unchanged and the Company provided a provision for doubtful accounts for interest receivables of $130,890 for the nine months ended September 30, 2021.

(c) Evolution convertible debentures receivable

On August 13, 2018, the Company entered into a convertible debenture (the "Evolution Debenture") with 9379-1432 Québec Inc., ("QuebeCo"), Evolution BNK and Evolution ATM and their principals, to provide a EUR3,000,000 secured loan, convertible into a 49% equity interest upon the successful completion of an IPO. QuebeCo is the parent entity of Evolution BNK and Evolution ATM. The Evolution Debenture bears interest of 10% per annum and has a maturity of four years.

On August 13, 2018, the Company also entered into an agreement with QuebeCo for a 5% royalty on the net sales of Evolution BNK and Evolution ATM. The royalty is secured by the assets of QuebeCo.

As at March 3, 2019, all conditions precedent relating to the Evolution debenture, including TSX-V approval had been completed and consequently the amounts drawn down under the loan as at that date (totalling EUR 2,115,000 ($3,171,133)) were reclassified from loans receivable and recorded as convertible debentures receivable and royalty streams as disclosed below.

On May 21, 2019, the Company transferred a net amount of EUR627,590 to Evolution reflecting the final tranche of the Evolution Debenture totaling EUR885,000 ($1,323,008) less accrued interest up to May 15, 2019 and associated costs in connection with the Evolution Debenture. This final tranche was allocated directly between convertible debentures receivable and royalty streams in the consolidated statement of financial position.

For the fifteen months ended December 31, 2019, the Company incurred a charge of $247,905 in respect to Evolution's finder's fees, of which $135,000 was paid in cash and $112,905 was settled through the issuance of 1,129,050 shares of the Company.

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 (for the fifteen months ended December 31, 2020 - $Nil). 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, 2021, the fair value of the convertible debenture remains unchanged and the Company provided a provision for doubtful accounts for interest receivables of $330,265 for the nine months ended September 30, 2021.

(d) Little Green Pharma convertible debentures receivable

On August 2, 2019, the Company announced that, following receipt of conditional approval by the TSX-V, it had subscribed for convertible notes of Little Green Pharma. (the "LGP Debenture") in the aggregate amount of AUD800,000 ($717,103).

The LGP Debenture was issued by LGP as part of a larger offering brokered by Canaccord Genuity (Australia) Limited. The debentures bear interest at the rate of 10% per annum and have a maturity date of July 31, 2020. The LGP Debentures were convertible into common shares of LGP upon LGP completing a qualifying initial public offering, a qualifying financing or an asset or share sale. In relation to a qualifying initial public offering, 50% of the LGP Debentures shall automatically convert at AUD0.30 per common share and the remaining 50% shall convert at the higher of AUD0.30 per share and 70% of the IPO price per common share. In February 2020 these debentures were converted to common shares of LGP and reclassified to investment in associates and subsequently to equity investments in September 2020.

(e) Initial recognition

On initial recognition, the Tricho-Med Debenture, the GCL Debenture, the Evolution Debenture and the LGP Debenture were each classified as financial assets at fair value through profit or loss.

Each debenture acquired was determined to comprise a compound financial instrument comprising the host debt receivable and also its associated conversion feature. Where a debenture was acquired with an associated royalty stream this royalty component was determined to comprise a separate financial instrument. On initial recognition, Elixxer used the valuation techniques outlined below to calculate the fair value of each financial instrument acquired. Where appropriate, it then used the relative fair value method to allocate the total consideration paid across each financial instrument. Where amounts paid in respect of a convertible debenture were drawn down over a significant period of time, draw-down amounts were amalgamated into tranches and each tranche was assigned a unique initial recognition date based on the pattern of amounts drawn down.

(Amounts expressed in Canadian dollars unless otherwise stated)

On each initial recognition date and again at each quarter end, the fair values of each convertible debenture and the fair value of the Tricho-Med and Evolution royalty streams were estimated using valuation techniques including DCF models, Monte Carlo simulations and funded production capacity. The models incorporate management's 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, and also appropriate valuation multiples all based on published data from a basket of similar companies in cannabis sector.

The fair value of the GCL Royalty was estimated using discounted cash flows incorporating assumptions of projected sales estimates and growth rates. As the valuation techniques used in assessing the fair value of each component included lowest-level inputs that were significant to the fair value measurement that were unobservable, the valuation techniques employed have been categorized as being Level 3 in fair value hierarchy. The fair value of the LGP Debenture was estimated using the binomial methodology.

As at September 30, 2021, the fair value of each component was re-assessed with increases in fair value for each instrument, except for the Day-1 gain, being recorded as fair value adjustments through the profit or loss. The fair values assessed for each instrument based on the cumulative tranches drawn down, and the respective movement in fair value recognized in profit or loss for the nine months ended September 30, 2021 and the year ended December 31, 2020 were as follows:

Financial instrument	Cumulative consideration drawn down	Fair value on initial recognition	Day-1 Gain (loss) on initial recognition	Fair value as at September 30, 2021	Cumulative FVTPL as at September 30, 2021 (i)	Cumulative FVTPL As at December 31, 2020	FVTPL Nine months ended September 30, 2021
	$	$	$	$	$	$	$
Tricho-Med Debenture							
Host debt receivable and conversion feature	2,815,757	2,815,757	—	2,129,909	(685,848)	(685,848)	—
Royalty stream	1,184,243	1,184,243	—	—	(1,184,243)	(1,184,243)	—
Total	4,000,000	4,000,000	—	2,129,909	(1,870,091)	(1,870,091)	—
GCL Debenture							
Host debt receivable and conversion feature	2,504,654	3,651,213	1,146,559	—	(2,504,654)	(2,504,654)	—
Royalty stream	3,086,904	4,500,000	1,413,096	—	(3,086,904)	(3,086,904)	—
Total	5,591,558	8,151,213	2,559,655	—	(5,591,558)	(5,591,558)	—
Evolution Debenture							
Host debt receivable and conversion feature	2,946,131	2,070,618	(875,513)	—	(2,946,131)	(2,946,131)	—
Royalty stream	1,548,010	1,043,513	(504,497)	—	(1,548,010)	(1,548,010)	—
Total	4,494,141	3,114,131	(1,380,010)	—	(4,494,141)	(4,494,141)	—
LGP Debenture							
Host debt receivable and conversion feature	717,103	901,367	184,264	—	—	—	—
Reclass to Investment in Associates	—	—	—	—	—	—	—
Total	717,103	901,367	184,264	—	—	—	—
Total							
Host debt receivable and conversion feature	**8,983,645**	**9,438,955**	**455,310**	**2,129,909**	**(6,136,633)**	**(6,136,633)**	—
Royalty stream	**5,819,157**	**6,727,756**	**908,599**	**—**	**(5,819,157)**	**(5,819,157)**	—
Total	**14,802,802**	**16,166,711**	**1,363,909**	**2,129,909**	**(11,955,790)**	**(11,955,790)**	—

(i) Where there is a Day-1 loss, cumulative FVTPL equals movement in FV since inception. Where there is a Day-1 gain cumulative FVTPL equals movement in FV since inception that exceeds Day-1 gain.

As at September 30, 2021, the amount of the Day-1 gain arising on the initial recognition of the GCL Debenture, as yet unrecognized through profit or loss, amounted to $2,559,655 (December 31, 2020 - $2,559,655).

During the three and nine months ended September 30, 2021, the total fair value adjustment recognized through the profit or loss account in respect of these debentures amounted to $Nil and $Nil, respectively (for the three and nine months ended September 30, 2020 – amounted to a gain of $175,129 and a loss of $44,487, respectively).

(Amounts expressed in Canadian dollars unless otherwise stated)

6. Loans to directors and officers

	September 30, 2021		December 31, 2020	
	Share purchase loans and advance to exercise stock options / warrants	**Loans to fund payment of taxes**	**Share purchase loans and advance to exercise stock options / warrants**	**Loans to fund payment of taxes**
	$	$	$	$
Outstanding balance, beginning of period	**166,064**	**362,453**	170,847	395,876
Fair value adjustment on extension	**(5,338)**	**(25,907)**	(22,371)	(50,303)
Repayment	**(90,000)**	**—**	**—**	**—**
Accretion during the period	**4,029**	**26,256**	17,588	16,880
Outstanding balance, end of period	**74,755**	**362,802**	166,064	362,453

In February 2018, the Company made loans to three of its officers and/or directors amounting to $609,411, in order to fund the exercise by them of stock options and to fund the payment by them of related taxes. The loans had an initial term of two years, and the Company had agreed to extend the maturity date of each of the loans for a period of two years.

These loans to directors and officers do not bear interest and must be repaid within two years. These loans are carried at their present value using a discount rate of 7%. The loans provided to directors and officers to fund the exercise of stock options, together with the advance to a director to fund the exercise of warrants have been reclassified and offset against share capital.

On February 12, 2020, Elixxer 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 Venture Exchange and approved at the shareholders' meeting.

During the three and nine months ended September 30, 2021, the value of accretion income recognized in respect of these loans amounted to $7,567 and $30,283, respectively (for the three and nine ended September 30, 2020 - $8,984 and $25,312, respectively).

7. Convertible debentures payable

On March 16, 2020, the Company announced that, following receipt of conditional approval from the TSX Venture Exchange, it has now closed its previously announced convertible loan transaction with international investors led by YA II PN, Ltd. (the "Lenders") pursuant to which they have agreed to refinance the principal amount of $USD1,183,000 ($1,651,941) which is outstanding under expiring convertible notes. The Company is not receiving any new cash pursuant to the Loan. The Loan has a maturity date of January 1, 2021 and bears interest at the rate of 12% per annum.

The principal amount of the Loan, up to a maximum of US$1,096,190, may be convertible into common shares of Elixxer at the option of the Lenders at a price per share of CAD$0.05 for a maximum of 28,847,105 shares. At closing, the Company had issued an aggregate of 14,200,000 common share purchase warrants to the Lenders. Each warrant entitles the holder thereof to acquire one share at an exercise price of CAD$0.05 per share until the maturity date.

The securities issued by the Company at the closing of the transaction, upon conversion of the loan or upon the exercise of the warrants are subject to restrictions on resale for a period of four months and one day from the date of closing.

On review of the relative terms of the original and revised debentures the Company determined that the 2020 Debenture terms were not substantially different from those of the 2019 Debentures and consequently the Company has treated this transaction as a modification (i.e. the 2019 Debentures).

The 2020 Debentures were determined to comprise two distinct financial instruments, the first being a compound financial instrument comprising the host or liability component, and also an embedded derivative comprising the associated equity conversion feature. The second financial instrument comprises the common share purchase warrants that were issued along with the Debentures.

(Amounts expressed in Canadian dollars unless otherwise stated)

On initial recognition, the relative fair value of the 2020 Debentures was estimated as outlined below, which resulted in fair values of $1,430,416 for the host debt component, $148,510 for the embedded derivative and $73,015 for the share purchase warrants.

The fair value of the host or liability component of the convertible debenture was calculated by discounting the stream of future payments of interest and principal at 19.8% being the estimated market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have any associated share purchase warrants nor any embedded derivative features. The fair value of the embedded derivative comprising the equity conversion feature was estimated based on a Monte Carlo simulation using relative weighted average assumptions: risk free interest rate of 0.35; expected volatility of 124%; dividend yield of Nil; expected life (in years) of 0.75; share price at grant date of $0.05; and exercise price of $0.025. Resulting in a fair value $167,969. The fair value of the warrants, issued on March 16, 2020, was determined based on the Black-Scholes option pricing model using relative weighted average assumptions: risk free interest rate of 0.35%; expected volatility of 124%; dividend yield of Nil; expected life (in years) of 0.79; share price at grant date of $0.05; and exercise price of $0.025. Resulting in a fair value of $0.006.

The carrying value of the host debt component of the debentures is accreted using the effective interest rate method over the term of the debenture, such that the carrying amount will equal the total face value of the debenture at maturity. The embedded derivative component is carried in the consolidated statement of financial position at its fair value with movements therein recognized in profit or loss.

The fair value of embedded derivative as at September 30, 2020 was determined based on a Monte Carlo simulation using the weighted average assumptions: risk free interest rate of 0.12%; expected volatility of 258%; dividend yield of Nil; expected life (in years) of 0.25; share price at grant date of $0.05; and exercise price of $0.02. Resulting in a fair value as at September 30, 2020 of $85,828.

As the debenture matured January 1, 2021, the fair value of the embedded derivative as at December 31, 2020 was $Nil.

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.

A breakdown of convertible debentures payable as at September 30, 2021 and December 31, 2020 are as follows:

	Host debt component $	Embedded derivative (Conversion feature) $	Common share purchase warrants $	Total $
Balance, December 31, 2019	1,748,823	3,146	393,192	2,145,161
Accretion – 2019 Debentures	40,348	—	—	40,348
Change in fair value of embedded derivative – 2019 Debentures	—	(3,146)		(3,146)
Repayment – 2019 Debentures	(259,195)	—	—	(259,195)
Expiry of 2018 warrants transferred to contributed surplus	—	—	(393,192)	(393,192)
Foreign currency loss on translation – 2019 Debentures	121,965	—	—	121,965
Modification of debt – 2019 Debentures	(1,651,941)	—	—	(1,651,941)
Issuance of 2020 Debentures – allocated fair value	1,430,416	148,510	73,015	1,651,941
Issue costs – 2020 Debentures	—	—	(5,369)	(5,369)
Accretion – 2020 Debentures	213,120	—	—	213,120
Repayment – 2020 Debentures	(400,000)	—	—	(400,000)
Change in fair value of embedded derivative – 2020 Debentures	—	(148,510)	—	(148,510)
Foreign currency gain on translation – 2020 Debentures	(120,461)	—	—	(120,461)
Balance, December 31, 2020	**1,123,075**	**—**	**67,646**	**1,190,721**
Repayment – 2020 Debentures	**(400,000)**	**—**	**—**	**(400,000)**
Foreign currency gain on translation – 2020 Debentures	**(53,644)**	**—**	**—**	**(53,644)**
Balance, September 30, 2021	**669,431**	**—**	**67,646**	**737,077**

(Amounts expressed in Canadian dollars unless otherwise stated)

During the three and nine months ended September 30, 2021, interest expense pursuant to 2020 Debentures amounted to $25,823 and $89,271, respectively (for the three and nine months ended September 30, 2020 – $90,135 and $265,895, respectively).

8. Other loans payable

A breakdown of loans payable as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
	$	$
Arlington	**1,146,130**	4,477,717
GMF and AIP	**311,559**	3,990,658
AIP Fund	**3,781,668**	3,461,667
Windsor Family Credit Union	**40,000**	40,000
	5,279,357	11,970,042

(a) Arlington Capital Inc. ("Arlington')
On February 5, 2019, the Company entered into a loan agreement with Arlington, a company incorporated in the province of Quebec, Canada. Under the terms of the loan Arlington agreed to lend to Elixxer amounts totaling $2,000,000 for a period of one year (the "Arlington Loan"). The funds were to be used for working capital purposes. The loan is unsecured and bore interest at the rate 12% per annum for the first three months and thereafter bears interest at 22% per annum. The Company had the right to repay the loan at any time. The first amounts drawn down under the loan were received by the Company on February 19, 2019.

As at April 24, 2019, the total amounts drawn down under the Arlington Loan totalled $5,300,000. When the initial tranche of the placement closed on May 2, 2019, the gross proceeds receivable from Arlington, totalling $8,000,000 were offset against the Arlington Loan leaving net proceeds of $2,700,000 received in cash.

On May 2, 2019, the Company announced that it had closed the first tranche of its previously announced $10,400,000 non-brokered private placement financing with Arlington. As part of negotiations for this transaction Arlington agreed to extend the principal amount of the Arlington Loan to include an additional $3,300,000 on the basis that once the private placement was completed the principal amount of the loan would be repaid by offsetting the principal outstanding against the placement proceeds.

On August 29, 2019, the Company entered into a second loan agreement with Arlington. Under the terms of the loan Arlington agreed to lend to the Company up to $4,670,000 for a period of 12 months. The funds are to be used for working capital purposes. The loan is unsecured and bears interest at the rate 12% per annum. The Company has the right to repay the loan at any time. As of December 31, 2019, amounts drawn down by the signing date were $3,593,535.

During the 2020, the Company extended the maturity of the bridge loan and increased the principal amount by outstanding fees to $3,893,535 which includes an extension fee of $300,000.

For the three and nine months ended September 30, 2021, interest charged in respect of these loans was $50,133 and $323,644, respectively (for the three and nine months ended September 30, 2020 – $121,949 and $352,598, respectively), have been recorded in the condensed interim consolidated statement of loss. As at September 30, 2021, interest accrued but unpaid in respect of the Arlington loans, totaling $52,523 (December 31, 2019 - $584,183), has been recorded in the condensed interim consolidated statement of financial position under other loans payable.

(b) Global Macro Fund L.P. ("GMF"), and AIP Asset Management Inc. ("AIP")
On November 8, 2019, the Company entered into an agreement to acquire all rights, title and interest in the USD1,000,000 Etea notes that were the subject of the Etea Guarantee as well as an additional note issued by Etea in the amount of USD1,000,000 from the initial holder thereof. The total face value of Etea notes acquired inclusive of accrued interest and monitoring fees was USD 2,118,556. As a result, the Etea Guarantee has been cancelled. The initial holder of the notes has also assigned to the

Company all of the security that it held in respect of the notes, including the debenture on the assets of Etea and the pledge of shares by Etea's principal shareholder. The purchase price for the transaction, including the notes, accrued interest and security was $2,800,000 which was funded by way of a bridge loan to the Company from the initial holder of the notes, GMF., an Ontario limited partnership, and AIP, an Ontario corporation, in its capacity as security agent for the holder. The bridge loan incurs interest at the rate of LIBOR per annum plus 8%, is unsecured and is repayable on demand. During the year ended December 31, 2020, the Company extended the maturity of the bridge loan to November 30, 2020 and increased the principal amount by outstanding fees to $3,000,000.

During the year ended December 31, 2020, the Company extended the maturity of the bridge loan and increased the principal amount by outstanding fees to $3,400,000 which includes an extension fee of $400,000.

For the three and nine months ended September 30, 2021, interest charged in respect of this loan, amounting to $10,411 and $222,138, respectively (for the three and nine months ended September 30, 2020 – $147,475 and $315,619, respectively), have been recorded in the condensed interim consolidated statement of loss. As at September 30, 2021, interest accrued but unpaid in respect of the bridge loan, totaling $3,043 (December 31, 2020 - $590,657), has been recorded in the condensed interim consolidated statement of financial position under other loans payable.

(c) 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, 2022.

(d) 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 46,333,333 common shares of the Company at the trading price of $0.01 per share, representing 20% of the net amount of the loan. These shares are subject to a hold period of four months and one day from the date of their issuance. Elixxer intends to use the proceeds of the loan for working capital purposes and to pursue future investments.

During the three and nine months ended September 30, 2021, the value of accretion expense recognized in respect of these loans amounted to $106,667 and $320,001, respectively (for the three and nine months ended September 30, 2020 - $Nil and $Nil, respectively) has been recorded in the condensed interim consolidated statement of loss.

For the three and nine months ended September 30, 2021, interest charged in respect of this loan, amounting to $171,397 and $450,849, respectively (for the three and nine months ended September 30, 2020 – $Nil and $Nil, respectively), has been recorded in the condensed interim consolidated statement of loss.

(e) AIP Debt Settlement and the Arlington Debt Settlement
On June 28, 2021,the Company closed its previously announced securities for-debt transactions with AIP Convertible Private Debt Fund LP ("AIP") and Arlington Capital LP ("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 243,754,000 common shares of the Company at a deemed price of $0.015 per share and 243,754,000 common share purchase warrants (the "AIP Debt Settlement") and (ii) $3,656,310 of maturing debt owing to Arlington by the issuance to Arlington of a total of 243,754,000 common shares of the Company at a deemed price of $0.015 per share and 243,754,000 common share purchase warrants (the "Arlington Debt Settlement"). Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of $0.05 each. The Company extended the maturity of the remaining balances of AIP and Arlington debts to December 31, 2021.

(Amounts expressed in Canadian dollars unless otherwise stated)

After giving effect to the AIP Debt Settlement and the Arlington Debt Settlement, the Company has a total of approximately 1,121,016,031 common shares issued and outstanding, with AIP holding approximately 26.67% on an undiluted basis and Arlington holding approximately 31.01% on an undiluted basis.

9. Share capital

Authorized - Common

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

(a) Common shares

	September 30, 2021		December 31, 2020	
	#	$	#	$
Issued common shares	**1,113,456,031**	**53,178,909**	633,508,031	49,737,578
Share purchase loans to directors and officers	**—**	**(74,755)**	—	(166,064)
Issued and fully paid common shares	**1,113,456,031**	**53,104,154**	633,508,031	49,571,514

Issuances and repurchase during the nine months ended September 30, 2021

(i) AIP and Arlington Debt Settlement
On June 28, 2021,the Company closed its previously announced securities for-debt transactions with AIP Convertible Private Debt Fund LP (“AIP”) and Arlington Capital LP (“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 243,754,000 common shares of the Company at a deemed price of $0.015 per share and 243,754,000 common share purchase warrants (the “AIP Debt Settlement”) and (ii) $3,656,310 of maturing debt owing to Arlington by the issuance to Arlington of a total of 243,754,000 common shares of the Company at a deemed price of $0.015 per share and 243,754,000 common share purchase warrants (the “Arlington Debt Settlement”). Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of $0.05 each.

(ii) On August 4, 2021, the Company announced that, further to its press release dated July 6, 2021, the TSX Venture Exchange (the “TSXV”) has accepted the Company’s notice to implement a normal course issuer bid (the “NCIB”) to purchase for cancellation up to an aggregate of 56,050,801 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 TSXV. The Company has engaged Integral Wealth Securities Inc. as its broker for the NCIB. The NCIB will be conducted through the facilities of the TSXV, and purchases of common shares will be made in accordance with the applicable policies of the TSXV 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 1,121,016,031 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 22,420,320 common shares.

Since the August 9, 2021 commencement of this NCIB program and up to September 30, 2021, the Company repurchased 7,560,000 common shares at an average price of $0.01 per share for a total amount of $98,139.

Issuances during the year ended December 31, 2020

(i) On October 7, 2020, the Company issued 46,333,333 common shares of the Company at a trading price of $0.01 per share, representing 20% of the net amount of the loan with AIP Convertible Private Debt Fund L.P. The shares are subject to a hold period of four months and one day from the date of their issuance.

(ii) On October 15, 2020, the Company announced that it has closed its previously announced private placement with a strategic investor. Pursuant to the non-brokered private placement, the Company issued 26,666,666 units of the Company at a price of $0.015 per common share for gross proceeds of $400,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for a period of 60 months from the date of issuance at an exercise price of $0.05 each *(note 9 (c)).*

(Amounts expressed in Canadian dollars unless otherwise stated)

No commission or finder's fee has been paid in connection with the private placement. The Units have been issued pursuant to an exemption from the prospectus requirements of applicable securities legislation, and all securities are subject to a hold period of four months and one day from the date of issuance.

The proceeds of the private placement will be used by the Company for general working capital purposes and to pursue future investments. It is anticipated that no payments from the proceeds will be made to related parties of the Company, and the proceeds will not primarily be used to pay management fees of for investor relations activities.

(b) Stock options

On August 19, 2020, the Company announced that it had amended its stock option plan (the "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 the Plan from 83,331,796 to 112,101,606, being 20% of the Company's issued and outstanding common shares as of the date hereof.

The amendment to the Plan is subject to the approval of (i) the TSX Venture Exchange and (ii) the Company's shareholders which approval has been sought at the Company's annual and special meeting of shareholders scheduled and approved.

The Company also announced that it and certain insiders and consultants of Elixxer have agreed to cancel an aggregate of 16,800,000 stock options held by the optionees. The cancelled options include (i) 7,500,000 options granted on December 8, 2017 with an exercise price of $0.36 and an original expiry of December 8, 2027 and (ii) 9,300,000 options granted on April 16, 2018 with an exercise price of $0.16 and an original expiry of April 16, 2023. All of the cancelled options were voluntarily surrendered to the Company for no consideration. In addition to the cancelled options, 3,350,000 options have expired as the holders thereof are no longer eligible participants under the Plan.

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 83,331,796 to 126,701,606, being 20% of the Company's issued and outstanding common shares.

The outstanding options as at September 30, 2021 and December 31, 2020 and the respective changes during the nine months ended September 30, 2021 and year ended December 31, 2020 are summarized as follows:

	September 30, 2021		December 31, 2020	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding, beginning period	**17,206,403**	**0.06**	57,627,733	0.21
Granted during the period	—	—	15,006,403	0.05
Cancelled during the period	—	—	(20,150,000)	(0.25)
Expired during the period	—	—	(7,166,667)	(0.12)
Forfeited during the period	**(5,406,403)**	**0.10**	(28,111,066)	(0.20)
Outstanding, end of period	**11,800,000**	**0.06**	17,206,403	0.06

The following options are outstanding and exercisable as at September 30, 2021:

Options outstanding					
Range of exercise price $	Number outstanding #	Weighted average remaining contractual life (in years)	Weighted average exercise price $	Number exercisable #	Weighted average exercise price $
0.050 to 0.099	11,200,000	4.42	0.07	11,200,000	0.07
0.150 to 0.199	600,000	1.54	0.16	600,000	0.16
0.050 to 0.199	**11,800,000**	**4.61**	**0.06**	**11,800,000**	**0.06**

(Amounts expressed in Canadian dollars unless otherwise stated)

There were no options granted during the nine months ended September 30, 2021. The fair value of stock options granted during the year ended December 31, 2020 were estimated at their respective grant dates using the Black Scholes option pricing model, using the following weighted average assumptions: risk free interest rate of 1.66%; expected volatility of 150%; dividend yield of Nil; expected life (in years) of 5.00; share price at grant date of $0.05; and exercise price of $0.04. Resulting in a fair value at grant date of $0.04.

(c) Warrants
The outstanding warrants as at September 30, 2021 and December 31, 2020 are summarized as follows:

	September 30, 2021		December 31, 2020	
	Number of warrants #	Weighted average exercise price $	Number of warrants #	Weighted average exercise price $
Outstanding balance, beginning of period	**97,468,566**	**0.16**	68,649,955	0.22
Warrants issued during the period	**487,508,000**	**0.05**	40,866,666	0.05
Warrants expired during the period	**(33,825,900)**	**(0.30)**	(12,048,055)	(0.12)
Outstanding balance, end of period	**551,150,666**	**0.05**	97,468,566	0.16

As at September 30, 2021, the warrants outstanding had a weighted average life of 4.31 years and all warrants were exercisable with the exception of the warrants related to the Arlington and debt settlements with a holding period of four months (December 31, 2020 – 1.51 years).

The fair value of warrants granted during the nine months ended September 30, 2021, relating to the Arlington and AIP debt settlements were estimated at their respective grant dates using a valuation model based on stochastic simulations, using the following weighted average assumptions. The fair value of warrants granted during year ended December 31, 2020, relating to the RiverFort debenture were estimated at their respective grant dates using a valuation model based on stochastic simulations, using the following weighted average assumptions:

	Warrants – September 30, 2021	Warrants – December 31, 2020
Risk-free interest rate	**0.80%**	0.19% - 0.35%
Expected volatility	**230%**	124% - 230%
Dividend yield	**Nil**	Nil
Expected life (in years)	**5.0**	0.79 – 4.9
Share price at grant date	**$0.05**	$0.025 - $0.01
Exercise price at grant date	**$0.015**	$0.05
Fair value at grant date (not an assumption)	**$0.015**	$0.01

The fair value of the 26,666,666 warrants granted during the year ended December 31, 2020 relating to the non-brokered private placement of $400,000, were estimated at their respective grant dates using a valuation model based on Black-Scholes option pricing model, using the following weighted average assumptions: risk free interest rate of 0.19%; expected volatility of 230%; dividend yield of Nil; expected life (in years) of 5.00; share price at grant date of $0.01; and exercise price of $0.05. Resulting in a fair value at grant date of $0.01.

(d) Stock-based compensation
For the three and nine months ended September 30, 2021, the stock-based compensation expense included in the condensed interim consolidated statement of loss, was $Nil and $787, respectively, (for the three and nine months ended September 30, 2020 – $17,234 and $408,116, respectively).

10. Related party transactions

In addition to the related party transactions disclosed elsewhere, the Company entered into the following related party transactions in the normal course of operations.

(a) During the three and nine months ended September 30, 2021, 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, 2021, the total amount for such services was $36,000 and $80,000, respectively which was recorded in directors' fees (for the three and nine months ended September 30, 2020 – $243,414 and $653,615, respectively). As at September 30, 2021, an amount of $17,136 (December 31, 2020 - $243.923) owing to these firms was included in accounts payable and accrued liabilities in respect of these fees.

(Amounts expressed in Canadian dollars unless otherwise stated)

(b) Excluding the amounts reported above, during the three and nine months ended September 30, 2021 and 2020, the Company recorded the following compensation for key management personnel and the Board of Directors:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Directors' fees	**28,000**	4,000	**80,000**	28,000
Management fees (included within salaries and other employee benefits *(note 3)*	**108,566**	49,265	**350,395**	217,398
Stock-based compensation	**—**	—	**—**	348,549
	136,566	53,265	**430,395**	593,947

(c) The Company incurred interest charges on loans received from Arlington, a shareholder of the Company. For the three and nine months ended September 30, 2021, interest charged in respect of these loans was $160,051 and $433,562, respectively (for the three and nine months ended September 30, 2020 – $121,949 and $352,598, respectively), have been recorded in the condensed interim consolidated statement of loss. As at September 30, 2021, interest accrued but unpaid in respect of the Arlington loans, totaling $52,523 (December 31, 2019 - $584,183), has been recorded in the condensed interim consolidated statement of financial position under other loans payable *(note 8).*

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). 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.

(Amounts expressed in Canadian dollars unless otherwise stated)

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 period ended:

		September 30, 2021		December 31, 2020	
	Fair value level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Equity instruments – FVTPL	I and II	**14,744,628**	**14,744,628**	15,990,925	15,990,925
Convertible debentures receivable - FVTPL	III	**2,129,909**	**2,129,909**	2,129,909	2,129,909
Loans to directors and officers – amortized cost		**362,802**	**362,802**	362,453	362,453
Financial liabilities					
Host debt component of convertible debentures payable - FVTPL	II	**669,431**	**669,431**	1,123,075	1,123,075
Other loans payable – amortized costs		**5,252,057**	**5,252,057**	11,970,042	11,970,042

For assets and liabilities measured at fair value as at September 30, 2021, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities during the period.

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.

12. 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. Elixxer 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).*

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 Elixxer's counter claim of $312,000 resulting in a net claim of approximately $738,000.