Condensed Interim Consolidated Financial Statements

Elixxer Ltd.

For the three and nine months ended September 30, 2023 and 2022

INDEX

NOTICE TO READER

Management has compiled the unaudited condensed interim consolidated financial statements of Elixxer Ltd. as at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022. 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)

	Sept. 30, 2023 $	Dec. 31, 2022 $
Assets		
Current assets		
Cash	**111,762**	65,425
Equity instruments (note 4)	**—**	2,405,564
Loans to directors and officers (note 6)	**54,963**	54,963
Total current assets	**166,725**	2,525,952
Non-current assets		
Equity instruments (note 4)	**782,904**	711,558
Convertible debentures receivable (note 5)	**2,129,909**	2,129,909
Total non-current assets	**2,912,813**	2,841,467
Total assets	**3,079,538**	5,367,419
Liabilities and shareholders' deficit		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**2,666,328**	2,930,755
Convertible debentures payable (note 7)	**408,179**	408,903
Other loans payable (note 8 and 10)	**8,544,644**	4,000,779
Total current liabilities	**11,619,151**	7,340,437
Non-current liabilities		
Other loans payable (note 8 and 10)	**40,000**	3,611,861
Total liabilities	**11,659,151**	10,952,298
Shareholders' deficit		
Share capital (note 9)	**53,444,922**	53,444,922
Warrants (note 9)	**3,975,747**	3,975,747
Contributed surplus	**17,432,018**	17,432,018
Accumulated other comprehensive loss	**60,964**	64,825
Deficit	**(83,493,264)**	(80,502,391)
Total shareholders' deficit	**(8,579,613)**	(5,584,879)
Total liabilities and shareholders' deficit	**3,079,538**	5,367,419

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

See accompanying notes

On behalf of the Board:

(s) "Ferras Zalt" (s) "Jeremy Green"

Director Director

Elixxer Ltd.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

(Amounts expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Revenue				
Finance income (note 3)	**—**	15,364	**17**	72,762
Expenses				
Administrative expenses (note 3)	**353,200**	386,359	**1,095,693**	982,627
Finance expenses (note 3)	**663,971**	718,644	**1,910,860**	2,520,939
Net (gain) loss on financial assets measured at fair value through profit or loss (note 4)	**(20,288)**	(1,175,970)	**(19,243)**	7,478,623
Foreign exchange loss	**19,841**	44,115	**3,580**	86,713
	1,016,724	(26,852)	**2,990,890**	11,068,902
Net (loss) income	**(1,016,724)**	42,216	**(2,990,873)**	(10,996,140)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss: Foreign exchange gain (loss) on translation of foreign subsidiaries, net of taxes of $Nil (2022 - $Nil)	**6,648**	12,189	**(3,861)**	44,043
Other comprehensive income (loss)	**6,648**	12,189	**(3,861)**	44,043
Comprehensive (loss) income	**(1,010,076)**	54,405	**(2,994,734)**	(10,952,097)
Basic and fully diluted (loss) income per share	**(0.09)**	0.00	**(0.26)**	(0.98)
Weighted average number of outstanding shares	**11,338,887**	11,344,228	**11,338,887**	11,147,754

See accompanying notes

Elixxer Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Amounts expressed in Canadian dollars)

	Share capital		Warrants		Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
	#	$	#	$	$	$	$	$
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 income (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 (note 9)	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)
Balance – January 1, 2023	**11,338,887**	**53,444,922**	**5,141,747**	**3,975,747**	**17,432,018**	**64,825**	**(80,502,391)**	**(5,584,879)**
Foreign exchange loss on translation of foreign subsidiaries, net of taxes of $Nil	**-**	**-**	**-**	**-**	**-**	**(3,861)**	**-**	**(3,861)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(2,990,873)**	**(2,990,873)**
Comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(3,861)**	**(2,990,873)**	**(2,994,734)**
Balance – September 30, 2023	**11,338,887**	**53,444,922**	**5,541,747**	**3,975,747**	**17,432,018**	**60,964**	**(83,493,264)**	**(8,579,613)**

See accompanying notes

Elixxer Ltd.

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Operating activities				
Net (loss) income for the period	**(1,016,724)**	42,216	**(2,990,873)**	(10,996,140)
Finance income – accretion of loans and debentures (note 3)	**—**	(255)	**—**	(72,764)
Finance expense (note 3)	**663,971**	718,644	**1,910,860**	2,520,939
Net (gain) loss on financial assets measured at fair value through profit or loss	**(20,288)**	(1,175,970)	**(19,243)**	7,478,623
Interest payments	**—**	(623,497)	**(902,652)**	(1,144,065)
Unrealized foreign exchange loss (gain)	**15,101**	21,044	**(4,585)**	76,445
	(357,940)	(1,017,818)	**(2,006,493)**	(2,138,962)
Change in non-cash working capital items:				
Increase (decrease) in account payable	**316,980**	166,914	**(300,631)**	(974,167)
Decrease in other receivables	**—**	575	**—**	137,354
Net cash flows used in operating activities	**(40,960)**	(850,329)	**(2,307,124)**	(2,973,775)
Investing activities				
Proceeds on sale of equity instruments	**150,078**	866,020	**2,353,461**	1,445,083
Cash flows from investing activities	**150,078**	866,020	**2,353,461**	1,445,083
Financing activities				
Proceeds from other loans payable	**—**	**—**	**—**	2,000,000
Repurchase of share capital (note 9 (a))	**—**	**—**	**—**	(581,592)
Net cash flows from financing activities	**—**	**—**	**—**	1,418,408
Increase (decrease) in cash	**109,118**	15,691	**46,337**	(110,284)
Cash, beginning of period (June 1 and January 1)	**2,644**	175,788	**65,425**	301,763
Cash, end of period (September 30)	**111,762**	191,479	**111,762**	191,479
Supplemental cash flow information				
Issuance of shares in connection with AIP amendment *(note 8)*	**—**	695,000	**—**	695,000

See accompanying notes

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 traded on the TSX Venture Exchange (the “TSX-V”) under the symbol “ELXR”. The registered office of Elixxer is located at 1100 Boulevard Rene-Levesque Ouest, Suite 700, Montréal, Québec, Canada H5B 4N4.

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”), which are currently all dormant, 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.

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-consolidation common shares (note 9(a)). 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 may be 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, the twelve months from the end of the current 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, 2023 of $2,990,873 (for the nine months ended September 30, 2022 – $10,996,140) and cash used in operating activities of $2,307,124 (for the nine months ended September 30, 2022 – cash used $2,973,775). 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 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, 2023 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 audited consolidated financial statements for the year ended December 31, 2022. 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, 2022, 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, 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, 2023.

Basis of consolidation
The condensed interim consolidated 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 consolidated 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 consolidated 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 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.

2.3 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 Elixxer in the current or future reporting periods.

(Amounts expressed in Canadian dollars unless otherwise stated)

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, 2023 and 2021:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	$	$	$	$
Finance income:				
Accretion of loans to directors and officers *(note 6)*	**—**	6,749	**—**	21,855
Accretion on convertible debenture payable *(note 7)*	**—**	8,614	**—**	50,906
Other interest	**—**	1	**17**	1
	—	15,364	**17**	72,762
Administrative expenses:				
Consultancy fees	**219,320**	33,866	**638,606**	115,276
Salaries and other employee benefits	**87,535**	176,406	**345,725**	475,298
Directors' fees and consultancy	**36,000**	60,000	**156,000**	206,178
Professional fees	**69,648**	35,350	**116,237**	115,522
Office expenses	**2,091**	84,946	**2,449**	87,630
Other administration	**(150)**	(38,836)	**(11,172)**	(135,738)
Regulatory	**(21,399)**	(25,038)	**(33,756)**	(50,380)
Investor / public relations	**(3,780)**	6,800	**(37,555)**	18,640
Legal fees	**(36,065)**	52,865	**(80,841)**	150,201
	353,200	386,359	**1,095,693**	982,627
Finance expense:				
Interest on convertible debentures payable (note 7)	**15,356**	11,287	**36,204**	33,582
Interest on loans payable (note 8)	**568,664**	550,394	**1,639,805**	1,401,648
Issuance of shares on loan payable (note 8)	**—**	—	**—**	695,000
Accretion expense on loans payable (note 8)	**79,951**	156,963	**234,851**	390,709
	663,971	718,644	**1,910,860**	2,520,939

4. Equity Instruments

Equity instruments as at September 30, 2023 and December 31, 2022 are summarized as follows:

	Little Green Pharma Limited	Freia Farmaceutici SRL	Total
	$	$	$
Balance, January 1, 2022	13,284,163	690,273	13,974,436
Sale of shares	(2,323,123)	—	(2,323,123)
Revaluation (loss) gain	(8,555,476)	21,285	(8,534,191)
Balance, December 31, 2022	**2,405,564**	**711,558**	**3,117,122**
Sale of shares – proceeds	**(2,353,461)**	**—**	**(2,353,461)**
Revaluation (loss) gain	**(52,103)**	**71,346**	**19,243**
Balance, September 30, 2023	**—**	**782,904**	**782,904**

(a) Little Green Pharma Limited ("LGP")

As at September 30, 2023, the Company's equity interest in LGP fair value was determined to be $Nil (as at December 31, 2022 - $2,405,564 based on quoted market prices on the Australian Stock Exchange). During the three and nine months ended September 30, 2023, the Company divested 979,346 and 13,773,326 shares (for the three and nine months ended September 30, 2022 – 1,677,405 and 3,207,442 shares, respectively) of LGP for total proceeds of $150,078 and $2,353,461, respectively (for the three and nine months ended September 30, 2022 - $866,020 and $1,445,083, respectively).

(Amounts expressed in Canadian dollars unless otherwise stated)

(b) Freia Farmaceutici S.R.L. ("Freia")
As at September 30, 2023, the carrying value of the Company's investment in Freia was determined to be $782,904 (as at December 31, 2022 - $711,558).

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 was to 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 did not become a publicly listed company within twelve months of having obtained the license, the Company would receive such number of shares such that it would own 54% of the then-issued and outstanding shares of Tricho-Med. Upon conversion into equity, the Company would 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. Total amounts drawn down under the Tricho-Med Debenture were $4,000,000. The Tricho-Med Debenture was ultimately not converted into shares of Tricho-Med and 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 September 30, 2023, the fair value of the convertible debenture remained unchanged at $2,129,909 (as at December 31, 2022 - $2,129,909).

6. Loans to directors and officers

During the three and nine months ended September 30, 2023, the value of accretion income recognized in respect of these loans amounted to $Nil and $Nil, respectively (for the three and nine months ended September 30, 2022 - $6,631 and $15,108, respectively).

	Share purchase loans & advances to exercise stock options / warrants	Loans to fund payment of taxes
	$	$
Balance, January 1, 2022	76,071	318,343
Fair value adjustment on extension	—	(81,140)
Accretion during the period	5,500	23,665
Provision for doubtful accounts	(81,571)	(205,905)
Balance, December 31, 2022 and September 30, 2023	—	**54,963**

7. Convertible debentures payable

During the nine months ended September 30, 2023, the value of accretion expense recognized by the Company in respect of the payable amounted to $Nil (December 31, 2022 - $52,917) and it recorded a gain of $725 due to foreign currency translation in the condensed interim consolidated statement of loss (2022 – loss of $24,093). During the three and nine months ended September 30, 2023, interest expense amounted to $15,356 and $36,204, respectively (for the three and nine months ended September 30, 2022 – $11,287 and $33,582, respectively).

(Amounts expressed in Canadian dollars unless otherwise stated)

8. Other loans payable

Loans payable as at September 30, 2023 and December 31, 2022 were as follows:

	Global Macro Fund L.P. ("GMF") and AIP Asset Management Inc. ("AIP") (b)	Windsor Family Credit Union (c)	AIP Convertible Private Debt Fund ("AIP Fund") (d)	Total
	$	$	$	$
Balance, January 1, 2022	2,308,516	40,000	3,765,568	6,114,084
Loans advanced	1,000,000	—	4,000,000	5,000,000
Interest	260,170	—	1,690,276	1,950,446
Accretion	—	—	454,793	454,793
Share issue cost	—	—	(648,500)	(648,500)
Repayment	(3,308,516)	—	—	(3,308,516)
Interest repayment	(260,170)	—	(1,689,497)	(1,949,667)
Balance, December 31, 2022	**—**	**40,000**	**7,572,640**	**7,612,640**
Interest	**—**	**—**	**1,639,805**	**1,639,805**
Accretion	**—**	**—**	**234,851**	**234,851**
Interest repayment	**—**	**—**	**(902,652)**	**(902,652)**
Balance, September 30, 2023	**—**	**40,000**	**8,544,644**	**8,584,644**

	September 30, 2023	Dec. 31, 2022
	$	$
AIP Fund	**8,544,644**	7,572,640
Windsor Family Credit Union	**40,000**	40,000
Total other loans payable	**8,584,644**	7,612,640
Less: Current loans payable	**(8,544,644)**	(4,000,779)
Non-current other loans payable	**40,000**	3,611,861

(a) Windsor Family Credit Union
During April 2020, the Company received $40,000 from Windsor Family Credit Union for relief to support small business as a result of COVID-19. The loan is interest free until December 31, 2023, no minimum monthly interest payments are required until January 1, 2024, there is no penalty for early repayment, and up to 25%, or $10,000, of loan forgiveness if 75%, or $30,000, of loan principal is paid in full on or before December 31, 2023.

(b) AIP Convertible Private Debt Fund L.P. ("AIP Fund")
On October 7, 2020, the Company closed a secured loan in principal amount of $4,000,000 with AIP Convertible Private Debt Fund L.P. The loan had 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 of the facility, the Company paid to AIP Fund: (i) a facility fee of $200,000; (ii) a closing fee of $250,000; (iii) legal fees of $3,500; and (iv) a monitoring agent fee of $195,000. 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 were subject to a hold period of four months and one day from the date of their issuance.

On April 29, 2022, the Company entered into an agreement with AIP Fund to amend its existing secured loan.. Further to the amendment, AIP Fund 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.

(Amounts expressed in Canadian dollars unless otherwise stated)

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.

During the three and nine months ended September 30, 2023, the value of accretion expense recognized in respect of these loans amounted to $79,951 and $234,851, respectively (for the three and nine months ended September 30, 2022 - $156,963 and $1,085,709, respectively). In addition, for the three and nine months ended September 30, 2023, interest charged in respect of this loan, amounting to $568,664 and $1,639,805, respectively (for the three and nine months ended September 30, 2022 – $549,864 and $1,398,808, respectively), has been recorded in the condensed interim consolidated statement of loss. As at September 30, 2023, interest accrued but unpaid in respect of the bridge loan totaling $737,931 (December 31, 2022 - $778), 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, the Company is required to maintain certain covenants which the Company is in default of, resulting in additional interest of 10% per annum being charged until the covenants are met / maintained.

9. Share capital

(a) Authorized - Common

The Company has authorized an unlimited number of voting and participating common shares, without par value.

On February 10, 2022, the Company consolidated all of its issued and outstanding common shares on the basis of one (1) post-consolidated common share for every one hundred (100) pre-consolidation common shares (the “Consolidation”). The Consolidation was approved by the Company’s shareholders and the TSX-V.

The Consolidation resulted in the number of issued and outstanding common shares being reduced from the previous outstanding total of 1,102,222,031 to 11,022,220. Each shareholder held 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 has been proportionately adjusted to reflect the Consolidation in accordance with the terms of such securities. No fractional shares were issued as a result of the Consolidation. All fractions of common shares post-Consolidation were rounded down to the next lowest whole number if the first decimal place was less than five and rounded up to the next highest whole number if the first decimal place was five or greater. No cash consideration was paid in respect of fractional shares.

Issuances and repurchase during the nine months ended September 30, 2022 and year ended December 31, 2022
During the nine months ended September 30, 2022 and year ended December 31, 2022, the Company repurchased and cancelled 430,731 common shares at an average price of $1.35 per share for a total amount of $581,592 under its Normal Course Issuer Bid (“NCIB”) program, which amount reduced share capital.

(b) Stock options

Outstanding stock options as at September 30, 2023 and December 31, 2022 and the respective changes during the nine months ended September 30, 2023 and the year ended December 31, 2022 are summarized as follows:

	September 30, 2023		December 31, 2022	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding, beginning period	**102,000**	**5.54**	**118,000**	**5.56**
Forfeited and cancelled during the period	**(5,000)**	**(16.00)**	**(16,000)**	**(5.69)**
Outstanding, end of period	**97,000**	**5.00**	**102,000**	**5.54**

The 97,000 options outstanding and exercisable as at September 30, 2023 mature on January 12, 2025 and have a weighted average remaining contractual life of 1.30 years. There were no options granted during the nine months ended September 30, 2023.

(Amounts expressed in Canadian dollars unless otherwise stated)

(c) Warrants

Outstanding warrants as at September 30, 2023 and December 31, 2022 are summarized as follows after adjusting for the share consolidation:

	Sept. 30, 2023			Dec. 31, 2023		
	Number of warrants #	Weighted average remaining contractual life (in years)	Weighted average exercise price $	Number of warrants #	Weighted average remaining contractual life (in years)	Weighted average exercise price $
Outstanding balance, beginning of period	**5,141,747**	**3.54**	**5.00**	5,511,507	3.97	5.38
Warrants expired during the period	**—**	**—**	**—**	(369,760)	—	(10.71)
Outstanding balance, end of period	**5,141,747**	**2.79**	**5.00**	5,141,747	3.54	5.00

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, 2023, 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, 2023, the total amount for such services was $36,000 and $108,000, respectively, which was recorded in directors' fees (for the three and nine months ended September 30, 2022 – $48,000 and $144,000, respectively). As at September 30, 2023, an amount of $209,975 (December 31, 2022 - $100,280) owing to these parties was included in accounts payable and accrued liabilities in respect of these fees.

(b) Excluding the amounts reported above, during the three months ended September 30, 2023, the Company recorded a compensation expense for key management personnel and the Board of Directors of $20,000 and $127,535, respectively (for the three months ended September 30, 2022 - $28,000 and $108,566, respectively). For the nine months ended September 30, 2023, the Company recorded a compensation expense for key management personnel and the Board of Directors of $68,000 and $384,711, respectively (for the nine months ended September 30, 2022 - $62,178 and $371,673, respectively).

(c) 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, 2023, interest charged in respect of this loan, amounting to $568,664 and $1,639,805, respectively (for the three and nine months ended September 30, 2022 – $549,864 and $1,398,808 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 $737,931 (December 31, 2022 - $778) has been recorded in the condensed interim consolidated statement of financial position under other loans payable.

On November 16, 2022, the Company finalized the terms of an agreement with AIP Asset Management Inc. on behalf of AIP Convertible Private Debt Fund LP ("AIP") in connection with merger and acquisition ("M&A") advisory services that AIP has been providing since November 2021 to identify and evaluate potential transactions and has been assisting the Company with structuring and due diligence with regards to these potential 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. In the nine months ending September 30, 2023, the Company paid $711,000 in work fees and as at September 30, 2023, M&A advisory services fees accrued but unpaid in respect of the agreement totaling $1,014,000 (December 31, 2022 - $1,050,000) has been recorded in the condensed interim consolidated statement of financial position as part of accounts payable and accrued liabilities.

11. Financial instruments

General objectives, policies and procedures

The Company's objective when managing capital are to safeguard the value of its investments. The Company's total shareholders' deficit as at September 30, 2023 totaled $8,579,613 (December 31, 2022 – shareholders' deficit $5,584,879). 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.

(Amounts expressed in Canadian dollars unless otherwise stated)

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; foreign exchange 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:

		September 30, 2023		**Dec. 31, 2022**	
	Fair value level	**Carrying amount** $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets					
Cash – amortized cost		**111,762**	**111,762**	65,425	65,425
Equity instruments – FVTPL	I and III	**782,904**	**782,904**	3,117,122	3,117,122
Convertible debentures receivable - FVTPL	III	**2,129,909**	**2,129,909**	2,129,909	2,129,909
Loans to directors and officers – amortized cost		**54,963**	**54,963**	54,963	54,963
Financial liabilities					
Accounts payable and accrued liabilities – amortized cost		**2,666,328**	**2,666,328**	2,930,755	2,930,755
Host debt component of convertible debentures payable - FVTPL	II	**408,179**	**408,179**	408,903	408,903
Other loans payable – amortized cost		**8,584,644**	**8,584,644**	7,612,640	7,612,640

For assets and liabilities measured at fair value as at September 30, 2023, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities during the year / period.

The fair values of the convertible debentures receivable classified as Level 3 were estimated using valuation techniques including the fair value of the underlying assets. The models incorporate management estimates such as liquidity risk, credit risk and volatility and also reasonable estimates for sales projections, discount rates, the probability that the investee will obtain its operating license, the probability of completing a successful initial public offering 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 except as noted below.

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, 2017 and to repay the entire amount advanced by the Company representing $4,000,000 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 was to 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).* On April 21, 2021, Tricho-Med submitted a counterclaim against Elixxer seeking $500,000 in damages for allegedly reclaiming its security. 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 was subject to a claim by its former Chief Executive Officer in respect of the termination of his consulting agreement in the amount of $1,050,000. This was offset by Elixxer's counter claim of $312,000, resulting in a net claim of $738,000. No amounts have been accrued as the outcome is not yet determinable.