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FSD Pharma Closes Deal to Acquire Prismic Pharmaceuticals

FSD acquires platform company to advance R&D of targeted application of micro-Palmitoylethanolamide impacting the human endocannabinoid system

TORONTO--(BUSINESS WIRE)-- FSD Pharma Inc. (CSE: HUGE) (OTCQB: FSDDF) (FRA: 0K9) ("FSD Pharma" or the "Company") and Prismic Pharmaceuticals Inc. ("Prismic"), a US-based specialty R&D pharmaceutical company (the "Parties"), announced today that, on June 28, 2019, they finalized the acquisition by FSD Pharma of all of the issued and outstanding securities of Prismic (the "Transaction"). Pursuant to the terms of a previously-announced securities exchange Agreement, FSD Pharma has acquired all outstanding common and preferred shares of Prismic for an aggregate purchase price of approximately US\$17.5 million (CAD\$23.4 million based on an exchange rate of US\$1 to CAD\$1.3349), satisfied by the issuance of approximately 102.7 million Class B subordinate voting shares in the capital of FSD Pharma (each, an "FSD Share") at a deemed price of CAD\$0.2275 (US\$0.1704) per FSD Share. In addition, FSD Pharma has agreed to assume approximately US\$3.05 million of outstanding Prismic long- and short-term liabilities. All of the outstanding Prismic stock options and warrants have been converted into options and warrants to purchase FSD shares, with the number and exercise price of such securities having been adjusted in accordance with the exchange ratio under the Agreement.

The FSD Shares issued to the former Prismic shareholders were deposited into escrow at the closing of the Transaction, and are subject to an 18-month staggered release.

FSD Pharma will continue to be led by Raza Bokhari, MD, Executive Co-Chairman & CEO. Zachary Dutton, co-founder of Prismic, will continue to serve as the CEO of Prismic, reporting to Edward Brennan, Jr. MD, FACS, President of the FSD Biosciences Division. Peter Moriarty, co-founder and previous Chairman of the Board of Prismic, has been named Chairman of the newly-formed FSD BioPharmaceutical Industry Advisory Board.

Dr. Raza Bokhari, Executive Co-Chairman and CEO stated, "On behalf of the FSD Pharma shareholders and Board of Directors, it is with immense pleasure that I welcome Prismic shareholders and stakeholders to the FSD Pharma family. Over the past several weeks, Dr. Brennan and our M&A team have worked very closely with the Prismic leadership to finalize this transaction under budget and ahead of schedule. I must commend Dr. Brennan on his laser sharp focus and attention to detail and I must also express my special gratitude to Zach Dutton and Peter Moriarty for their efforts in resolving some outstanding issues to close the transaction."

Dr. Bokhari continued, "The Prismic acquisition represents strategic depth in the vision and

mission of FSD Pharma and signals a paradigm shift in the overall outlook of the company. We are relying heavily on the expertise of Dr. Brennan, who is a seasoned pharmaceutical industry veteran with substantial experience from working at Glaxo Smith Kline and Johnson & Johnson to navigate us through the various stages of the FDA approval process for drug development, with the goal of eventually making synthetic cannabinoid prescription medications available for commercial use to help alleviate the pain and suffering of patients. We are confident, Peter Moriarty, another well-known pharmaceutical industry veteran, who was also one of the founders of Shire Pharmaceuticals, will make a meaningful contribution to the FSD Pharma story as the Chairman of the BioPharmaceutical industry advisory board.”

About FSD Pharma

FSD Pharma is focused on the research and development of novel cannabinoid-based treatments for several central nervous system disorders, including chronic pain, fibromyalgia and irritable bowel syndrome and on the development of the highest quality indoor grown, pharmaceutical grade cannabis. The Company is licensed to cultivate cannabis in approximately 25,000 square feet.

FSD's wholly-owned subsidiary, FV Pharma, is a licensed producer under the *Cannabis Act* and Regulations, having received its cultivation license on October 13, 2017 and its full Sale for Medical Purposes license on June 21, 2019. FV Pharma intends to cover all aspects of the cannabis industry, including cultivation, legal, processing, manufacturing, extracts and research and development. For additional information on the company, please visit our website at www.fsdpharma.com.

About Prismic Pharmaceuticals

Prismic is a US-based specialty pharmaceutical company dedicated to addressing the opioid crisis by developing novel non-addictive prescription drugs for the treatment of pain, inflammation, and neurological disorders, based on formulations utilizing the company's micro-PEA development platform (palmitoylethanolamide with particle sizes of 0.6 – 10 microns). Such formulations take advantage of micro-PEA's “synergistic” or “entourage” effect on certain drugs impacting the endocannabinoid system. This means that lower doses of those drugs may be administered together with micro-PEA to achieve the desired therapeutic effect. This includes the potential combination or concomitant use of micro-PEA formulations with drugs such as THC, CBD, certain anticonvulsants, and opioids where studies have indicated opioid-sparing and tolerance delaying properties of micro-PEA may impact the development of dependence in patients. Prismic's first prescription drug candidate, PP-101, a 600 mg tablet of micro-PEA, is anticipated to commence a Phase 2/3 accelerated clinical development program in 2020 as a concomitant medication to be administered with pregabalin (Pfizer's Lyrica®) for the treatment of fibromyalgia.

Prismic was founded by three healthcare industry veterans, Zachary Dutton, Danilo Casadei Massari, and Peter Moriarty, who was also one of the founders of Shire Pharmaceuticals.

Forward-Looking Information

This news release contains certain “forward-looking statements” or “forward-looking information” (collectively “forward looking statements”) within the meaning of applicable

Canadian securities laws. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Forward-looking statements can frequently be identified by words such as “plans”, “continues”, “expects”, “projects”, “intends”, “believes”, “anticipates”, “estimates”, “may”, “will”, “potential”, “proposed” and other similar words, or information that certain events or conditions “may” or “will” occur. Forward-looking statements in this news release include, but are not limited to, statements: that the Transaction will represent a paradigm shift for the Company; that Prismic’s drugs under development will have the capability of addressing the opioid crisis; that the combined resources and leadership teams of FSD Pharma and Prismic will be positioned to execute on clinical development programs and on delivering highly effective products that safely address pain, inflammation and neurological disorders with high unmet clinical needs; that lower doses of certain drugs may be administered together with micro-PEAs to achieve a desired therapeutic effect; regarding the expected timing of Prismic’s Phase 2/3 accelerated clinical development program for Prismic’s PP-101 drug candidate; and statements regarding the expected benefits to the Company and its shareholders as a result of the Transaction. Such statements are only projections, are based on assumptions known to management at this time, and are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the forward-looking statements, including: that Prismic’s proposed drug formulations may not achieve FDA or other necessary regulatory approvals; that Prismic’s micro-PEA formulations may not work as expected or at all; that legislative changes may have an adverse effect on the business and product development of products of the Company and Prismic; that the Company may not be able to obtain adequate financing to pursue its business plan; general business, economic, competitive, political and social uncertainties; and other factors beyond the Company’s control. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. Readers are cautioned not to place undue reliance on the forward-looking statements in this release, which are qualified in their entirety by these cautionary statements. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements in this release, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws.

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