

Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Delic Holdings Corp. ("**Delic**" or the "**Company**")
885 West Georgia Street, Suite 1400
Vancouver, British Columbia V6C 3E8

1.2 Executive Officer

Mathew Lee
Chief Financial Officer
604-862-7953

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company closed the acquisition ("**Acquisition**") of Ketamine Wellness Centers LLC ("**KWC**"), a limited liability company formed under the laws of Arizona, which owns and operates 10 ketamine infusion treatment clinics across Arizona, Colorado, Florida, Illinois, Minnesota, Nevada, Texas, Utah, and Washington, pursuant to the terms of an agreement and plan of merger dated September 10, 2021. Supported by clinical trials and peer reviewed studies, ketamine infusions have emerged as a promising treatment option for chronic diseases and pain disorders. The successful completion of the transaction makes the Company the largest chain of wellness centers providing ketamine treatments in the US.

The Company acquired all of the membership interests of KWC through a reverse triangular merger between KWC and a wholly-owned subsidiary of the Company for an aggregate purchase price of USD\$10,000,000. The Company issued multiple voting shares in the capital of the Company to the members of KWC (the "**Members**"), having an aggregate value of USD\$5,000,000, less a holdback equal to USD\$1,000,000, at a price per share of USD\$16.5787 (C\$20.5870, calculated using the ten trading day volume weighed average trading price ("**VWAP**") of the subordinate voting shares of the Company on the Canadian Securities Exchange (the "**Exchange**") as of November 3, 2021). Delic further satisfied the purchase price by paying to the Members, an amount equal to USD\$5,000,000 in cash consideration with approximately USD\$3,293,933 paid on the closing date, USD\$296,541 to be paid on forgiveness of a loan to KWC from The Health Resources and Services Administration, USD\$750,000 to be paid on the date that is 12 months following the closing date, and the final USD\$750,000 to be paid on the date that is 24 months following the closing date. In addition, the Members are eligible to receive additional shares upon each new clinic opened by KWC that posts three consecutive months of profitability and minimum revenue of USD\$135,000, during those three months, such additional shares to have an aggregate value of USD\$100,000 per clinic opening, based on the higher of: (i) the ten trading day VWAP of the subordinate voting shares on the Exchange immediately prior to the date such milestone is achieved; and (ii)

the maximum discount under the policies of the Exchange applicable to the closing price of the shares on the trading day immediately prior to the applicable milestone date. The milestones are subject to an aggregate cap of 30 new clinic milestones or USD\$3,000,000 in additional shares.

The Members have agreed that any shares issued will be subject to a contractual hold period, with 10% of the share consideration to be released on the date that is six months and one day following closing, and 15% released every six months thereafter over a period of 36 months. In addition, Members have entered into voting support agreements with Delic having a term of two years, pursuant to which the Members will vote as directed by the board of directors of the Company, subject to customary carve-outs.

2.2 Acquisition Date

The acquisition was completed on November 5, 2021.

2.3 Consideration

The purchase price of the Acquisition was satisfied as follows: (i) USD\$5,000,000 less a holdback of USD\$1,000,000 in consideration shares issued on the closing date representing 241,258.50 multiple voting shares of the Company (or the equivalent of 24,125,850 subordinate voting shares) at a price of USD\$16.5787 per multiple voting share (or USD\$0.1658 per subordinate voting share) ; and (ii) USD\$5,000,000 in cash consideration with approximately USD\$3,293,933 paid on the closing date, USD\$296,541 to be paid on forgiveness of a loan to KWC from The Health Resources and Services Administration, USD\$750,000 to be paid on the date that is 12 months following the closing date, and the final USD\$750,000 to be paid on the date that is 24 months following the closing date.

The source of funds used to satisfy the consideration paid came from a financing that closed on September 27, 2021. On September 27, 2021, the Company issued 9,000,000 units of the Company (the "**Units**") at a price of C\$0.285 per Unit and 15,561,404 pre-funded units of the Company (the "**Pre-Funded Units**") at a price of C\$0.2849 for gross proceeds of approximately C\$7,000,000.

2.4 Effect on Financial Position

KWC became a wholly owned subsidiary of the Company.

Except as disclosed in this business acquisition report, or publicly disclosed and in the ordinary course of business, the Company does not have any current plans or proposals for material changes in the Company's business affairs, which may have a significant effect on the operations and financial position of the Company.

2.5 Prior Valuations

To the knowledge of Delic, no valuation opinion required by securities legislation or a Canadian exchange or market to support the consideration paid pursuant to the Acquisition has been obtained within the past 12 months by KWC or Delic.

2.6 Parties to Transaction

The transaction described herein was not with any "informed person" (as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*), associate or affiliate of Delic. Kevin Nicholson, Julie Nicholson, Mark J. Murphy, and Ellen Diamond Chesler were the founders and controlling shareholders of KWC. As neither hold any position in the Company, it was determined that the Acquisition was not a related party transaction within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

2.7 Date of Report

December 20, 2021

Item 3 Financial Statements and Other Information

Pursuant to Part 8 of National Instrument 51-102 - *Continuous Disclosure Obligations*, the following financial statements are attached to and form part of this Report:

- (i) the annual financial statements of KWC for the years ended December 31, 2020 and 2019. Delic has not requested the consent of KWC's auditors to include their auditor's report in this Report; therefore, the auditors have not given their consent to include their auditor's report in this Report; and
- (ii) the interim financial statements of KWC for the nine-month period ended September 30, 2021 (reviewed).

Forward-Looking Information and Statements

This Report contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Delic's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved".

The forward-looking information and forward-looking statements contained herein may include, but are not limited to: potential benefits of the Acquisition; anticipated continued growth in the health and wellness sector (and, in particular, related to psychedelics); the ability of Delic to successfully achieve business objectives and expectations for other economic, business, and/or competitive factors.

By identifying such information and statements in this manner, Delic is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Delic to be materially different from those expressed or implied by such information and statements. Such risks and other factors may include, but are not limited to: incorrect assessment of the value and potential benefits of the Acquisition; direct and indirect material adverse effects from the COVID-19 pandemic; inability to obtain future financing on suitable terms; failure to obtain required regulatory and other approvals; risks inherent in the psychedelic treatment sector; changes in applicable laws and regulations; and failure to comply with applicable laws and regulations.

In addition, in connection with the forward-looking information and forward-looking statements contained in this Report, Delic has made certain assumptions. These assumptions include, but are not limited to: the potential impact of the announcement or consummation of milestone payments on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; changes in general economic, business and political conditions, including changes in the financial markets; changes in applicable laws; compliance with extensive government regulation; and the diversion of management time on the Acquisition.

Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.

Although Delic believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this Report are made as of the date of this Report, and Delic does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to Delic or persons acting on its behalf is expressly qualified in its entirety by this notice.



*Financial Statements
and
Independent Auditor's Report
December 31, 2020 and 2019*

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CPAs | Advisors

Ketamine Wellness Centers, LLC

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Independent Auditor's Report

Board of Directors and Members
Ketamine Wellness Centers, LLC
Mesa, Arizona

We have audited the accompanying financial statements of Ketamine Wellness Centers, LLC (the "Company"), an Arizona limited liability company, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in member's equity, and cash flows for the years the ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2020 and 2019, and the results of its operations, and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company prepares its financial statements in accordance with International Financial Reporting Standards, which differ from accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

REDWLLC

Phoenix, Arizona

July 9, 2021

Financial Statements

Ketamine Wellness Centers, LLC
Balance Sheets
December 31,

	Notes	2020	2019
Assets			
Current assets			
Cash		\$ 339,710	\$ 115,107
Accounts receivable		94,217	54,939
Prepaid expenses		9,423	20,205
Total current assets		443,350	190,251
Noncurrent assets			
Deposits and other noncurrent assets		47,597	28,617
Right-of-use assets	3	683,077	558,856
Property and equipment, net	2	49,364	46,333
Total noncurrent assets		780,038	633,806
Total assets		\$ 1,223,388	\$ 824,057
Liabilities and Member's Equity			
Current liabilities			
Accounts payable		\$ 42,737	\$ 49,290
Accrued expenses		89,075	56,864
Notes payable, current portion	4	27,370	39,517
Lease liabilities, current portion	3	267,858	191,610
Total current liabilities		427,040	337,281
Long-term liabilities			
Lease liabilities, net of current portion	3	415,219	367,246
Notes payable, net of current portion	4	226,355	37,201
Total long-term liabilities		641,574	404,447
Total liabilities		1,068,614	741,728
Member's equity			
Total liabilities and member's equity		\$ 1,223,388	\$ 824,057

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

Ketamine Wellness Centers, LLC
Statements of Comprehensive Income
For the Years Ended December 31,

	Notes	2020	2019
Operating Revenues			
Service fees		\$ 3,449,800	\$ 3,449,814
Sales income		<u>12,474</u>	<u>4,290</u>
Total operating revenues		<u>3,462,274</u>	<u>3,454,104</u>
Operating Expenses			
Payroll expenses		2,561,210	2,136,373
Depreciation and amortization		237,002	180,822
Supplies and materials		193,916	174,531
Advertising/promotional		184,626	111,125
Cost of labor		177,747	160,297
Office/general administrative		90,188	137,535
Insurance		120,081	92,872
Bank charges		108,970	106,845
Other general and administrative	6	57,540	74,411
Utilities		33,719	25,836
Legal and professional fees		<u>25,206</u>	<u>10,328</u>
Total operating expenses		<u>3,790,205</u>	<u>3,210,975</u>
Net operating income (loss)		<u>(327,931)</u>	<u>243,129</u>
Other Income (Expense)			
Interest expense		(93,315)	(79,821)
Other income	8	<u>573,691</u>	<u>2,422</u>
Net other income (expense)		<u>480,376</u>	<u>(77,399)</u>
Total comprehensive income		<u>\$ 152,445</u>	<u>\$ 165,730</u>

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

Ketamine Wellness Centers, LLC
Statements of Changes in Member's Equity
For the Years Ended December 31,

	Notes	2020		2019
Beginning balances		\$ 82,329	\$	(83,401)
Member distributions		(80,000)		-
Comprehensive income		152,445		165,730
Ending balances		\$ 154,774	\$	82,329

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

Ketamine Wellness Centers, LLC
Statements of Cash Flows
For the Years Ended December 31,

	Notes	2020	2019
Reconciliation of comprehensive income to net cash provided by operating activities			
Comprehensive income		\$ 152,445	\$ 165,730
Adjustments to reconcile comprehensive income to net cash provided by operating activities			
Depreciation and amortization expenses	3, 4	237,002	180,822
(Increase) decrease in operating assets			
Accounts receivable		(39,278)	(54,939)
Prepaid expenses		10,782	(20,205)
Deposits and other noncurrent assets		(18,980)	(9,570)
Increase (decrease) in operating liabilities			
Accounts payable		(6,553)	(77,946)
Accrued expenses		32,211	20,022
Net cash provided by operating activities		367,629	203,914
Cash flows from investing activities			
Purchases of property and equipment	3	(16,163)	(12,647)
Net cash used in investing activities		(16,163)	(12,647)
Cash flows from financing activities			
Proceeds from notes payable		200,000	75,757
Lease payable payments		(223,870)	(170,713)
Notes payable payments		(22,993)	(98,039)
Member distributions		(80,000)	-
Net cash used in financing activities		(126,863)	(192,995)
Net increase (decrease) in cash		224,603	(1,728)
Cash, beginning of period		115,107	116,835
Cash, end of period		\$ 339,710	\$ 115,107
Supplementary disclosure and noncash investing and financing activities			
Cash paid for interest		\$ 93,315	\$ 79,821
Finance of right-of-use assets		\$ 348,091	\$ 729,569

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

Ketamine Wellness Centers, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

1) Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ketamine Wellness Centers, LLC (the “Company”) was formed as an Arizona limited liability company in May 2017. The Company’s mission is to provide personalized, high-quality care for people suffering from afflictions where ketamine infusions have proven a successful treatment option while actively researching ketamine’s efficacy to treat additional conditions.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Functional and Presentation Currency

These financial statements are presented in United States dollars (USD), which is the Company’s functional currency. All amounts are presented to the nearest USD, unless otherwise indicated.

Basis of Presentation

The balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in member’s equity, and cash flows for the years then ended, of the Company have been prepared under the historical cost convention.

Use of Estimates in Preparing Financial Statements

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from management estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the applicable notes:

- ◆ Note 1 – Accounts Receivable
- ◆ Note 2 – Property and Equipment

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

Current Versus Noncurrent Classification

The Company presents assets and liabilities in the balance sheets based on current/noncurrent classification.

An asset is current when it is:

- ♦ expected to be realized or intended to be sold or consumed in the normal operating cycle,
- ♦ held primarily for the purpose of trading,
- ♦ expected to be realized within twelve months after the reporting period, or
- ♦ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- ♦ it is expected to be settled in the normal operating cycle
- ♦ it is held primarily for the purpose of trading
- ♦ it is due to be settled within twelve months after the reporting period, or
- ♦ there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Cash

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable represents the amounts billed but uncollected for services provided to patients. The Company reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. As a service to the patient, the Company bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed.

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. At December 31, 2020 and 2019, no provision for uncollectible amounts was required.

Deposits

The Company made deposits to secure office leases.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

Property and Equipment

Property and equipment are initially recorded at cost. The cost of maintenance and repairs is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized and depreciated/amortized. When items are retired or disposed of, the cost and accumulated depreciation/amortization are removed from the accounts and any gain or loss is included in operations. Depreciation of assets held under finance leases is provided using the straight-line method over the shorter of the estimated useful lives of the lease assets or the lease terms.

Depreciation/amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Leasehold improvements	5-6 Years
Furniture, fixtures and equipment	3-7 Years
Right-of-use assets (offices)	5-6 Years

Leases

The Company as a Lessee

The Company adopted IFRS 16, *Leases*, as of January 1, 2019. IFRS 16 requires lessees to recognize nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Company recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease Liabilities

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Revenue Recognition

Service fee revenues result from treatment transactions associated with providing healthcare services, the Company's principal activity. Revenue is recognized when the Company completes the treatment or provides service to the patient.

Advertising Costs

The cost of advertising is expensed when incurred.

Provisions

Accruals are recorded in the balance sheets when the Company has an existing legal or informal obligation as a result of an event occurring, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the payment date has a long-term effect, provisions are calculated through discounting of the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability. The Company's accruals primarily consist of payroll and payroll related expenditures at December 31, 2020 and 2019.

Income Taxes

The Company is organized as an Arizona Limited Liability Company and taxed as a partnership for federal and state income taxes. Earnings and losses are included in the members' individual income tax returns. Accordingly, the Company does not incur income tax obligations in the United State, and therefore, these financial statements do not include a provision for U.S. income taxes.

Financial Impact of COVID-19 Pandemic

The Company's operations have been, and continue to be, affected by the recent and ongoing coronavirus (COVID-19) pandemic, which was declared a Public Health Emergency by the World Health Organization on January 30, 2020. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and the related financial impact. Further financial impact cannot be reasonable determined at this time.

New Standards Not Yet Effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

Company has decided not to adopt early. The Company does not expect the standards issued by the IASB, but not yet effective, to have a material impact on the Company's financial statements.

2) Property and Equipment

A summary of property and equipment activity for the years ended December 31 follows:

	2020			
	Balances			Balances
	December 31, 2019	Additions	Deletions	December 31, 2020
Depreciable/amortizable assets				
Leasehold improvements	\$ 34,165	\$ -	\$ -	\$ 34,165
Furniture, fixtures, and equipment	<u>33,349</u>	<u>16,163</u>	<u>-</u>	<u>49,512</u>
Total depreciable/amortizable assets	<u>67,514</u>	<u>16,163</u>	<u>-</u>	<u>83,677</u>
Less accumulated depreciation/amortization				
Leasehold improvements	(11,968)	(6,401)	-	(18,369)
Furniture, fixtures, and equipment	<u>(9,213)</u>	<u>(6,731)</u>	<u>-</u>	<u>(15,944)</u>
Total accumulated depreciation	<u>(21,181)</u>	<u>(13,132)</u>	<u>-</u>	<u>(34,313)</u>
Property and equipment, net	<u>\$ 46,333</u>	<u>\$ 3,031</u>	<u>\$ -</u>	<u>\$ 49,364</u>
	2019			
	Balances			Balances
	December 31, 2018	Additions	Deletions	December 31, 2019
Depreciable/amortizable assets				
Leasehold improvements	\$ 23,735	\$ 10,430	\$ -	\$ 34,165
Furniture, fixtures, and equipment	<u>31,132</u>	<u>2,217</u>	<u>-</u>	<u>33,349</u>
Total depreciable/amortizable assets	<u>54,867</u>	<u>12,647</u>	<u>-</u>	<u>67,514</u>
Less accumulated depreciation/amortization				
Leasehold improvements	(6,643)	(5,325)	-	(11,968)
Furniture, fixtures, and equipment	<u>(4,429)</u>	<u>(4,784)</u>	<u>-</u>	<u>(9,213)</u>
Total accumulated depreciation	<u>(11,072)</u>	<u>(10,109)</u>	<u>-</u>	<u>(21,181)</u>
Property and equipment, net	<u>\$ 43,795</u>	<u>\$ 2,538</u>	<u>\$ -</u>	<u>\$ 46,333</u>

Depreciation/amortization was \$13,132 and \$10,109, for the years ended December 31, 2020 and 2019, respectively.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

3) Leases Liabilities

The Company entered into nine agreements for the leasing of offices totaling \$1,318,708 with an effective interest rate of 4.6%. Lease payments are \$1,171 to \$4,667 per month commenced May 2016 and matured January 2026.

The net present value of future lease payments is presented below:

Year Ending December 31,	Leases		Totals
	Principal	Interest	
2021	\$ 267,858	\$ 449	\$ 268,307
2022	129,129	17,271	146,400
2023	113,931	10,577	124,508
2024	86,688	5,965	92,653
2025	71,352	2,440	73,792
2026	14,119	115	14,234
Total lease obligation	683,077	\$ 36,817	\$ 719,894
Less current portion	(267,858)		
Lease obligation, net of current portion	\$ 415,219		

Total assets capitalized and related accumulated depreciation/amortization of right-to-use assets is presented below at December 31:

	2020	2019
Offices	\$ 1,077,660	\$ 729,569
Less accumulated depreciation/amortization	(394,583)	(170,713)
Total	\$ 683,077	\$ 558,856

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

4) Long-Term Debt

For the years ended December 31, 2020 and 2019, long-term debt activity consisted of the following:

	Balances December 31, 2019	Additions	Reductions	Balances December 31, 2020
Note payable, monthly payments - \$2,354, interest rate 7.75%, maturity date: December 5, 2022	\$ 76,718	\$ -	\$ (22,993)	\$ 53,725
Notes payable, interest only first 12 months, monthly payment - \$926, interest rate 3.75%, maturity date: July 1, 2051	-	<u>200,000</u>	-	<u>200,000</u>
Total notes payable	<u>\$ 76,718</u>	<u>\$ 200,000</u>	<u>\$ (22,993)</u>	<u>\$ 253,725</u>
	Balances December 31, 2018	Additions	Reductions	Balances December 31, 2019
Note payable, monthly payments - \$2,354, interest rate 7.75%, maturity date: December 5, 2022	<u>\$ 99,000</u>	<u>\$ 75,757</u>	<u>\$ (98,039)</u>	<u>\$ 76,718</u>

The required future annual payments related to the long-term debt as of December 31, 2020, are as follows:

Year Ending December 31,	Principal	Interest	Total
2021-2025	\$ 70,818	\$ 35,378	\$ 106,196
2026-2030	22,457	26,087	48,544
2031-2035	27,176	28,398	55,574
2036-2040	32,771	22,803	55,574
2041-2045	39,517	16,056	55,573
2046-2050	52,653	7,921	60,574
2051	8,333	552	8,885
	<u>\$ 253,725</u>	<u>\$ 137,195</u>	<u>\$ 390,920</u>

Ketamine Wellness Centers, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

5) Commitments, Contingencies, and Concentrations

The Company is periodically involved in legal disputes that may arise from time to time under the normal course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Company's financial position, results of operations, cash flows, or liquidity.

6) Other General and Administrative Expenses

Other general and administrative expenses were comprised of the following for the years ended December 31:

	2020	2019
Travel	\$ 20,619	\$ 23,707
Maintenance and repair	16,632	25,556
Equipment rental	7,236	10,799
Taxes	6,894	8,423
Entertainment/meal	3,446	4,561
Shipping, freight and delivery	2,473	1,365
Charitable contributions	240	-
	<u>\$ 57,540</u>	<u>\$ 74,411</u>

7) Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses, and notes payable. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

The fair value of the Company's cash, accounts receivable, accounts payable, and accrued expenses approximates carrying value due to their short-term nature. The Company is unable to determine the fair value of its lease obligations and notes payable. There were no transfers between fair value levels during the year ended December 31, 2020 and 2019.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company's maximum credit risk exposure for accounts receivable is equivalent to the carrying value of these instruments.

The Company maintains cash with federally insured financial institutions. At times, the Company's cash balances may exceed the federally insured limits. The Company has historically not experienced any losses in such accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities.

The Company has the following gross contractual obligations as at December 31, 2020, which are expected to be payable in the following respective periods:

	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued liabilities	\$ 131,812	\$ -	\$ -	\$ -	\$ 131,812
Leases liabilities	267,858	262,485	152,734	-	683,077
Notes payable	27,370	31,527	11,921	182,907	253,725
	<u>\$ 427,040</u>	<u>\$ 294,012</u>	<u>\$ 164,655</u>	<u>\$ 182,907</u>	<u>\$ 1,068,614</u>

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, commodity prices, and energy.

Ketamine Wellness Centers, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

8) Paycheck Protection Program Loan Forgiveness

In May 2020, the Company applied for and received funds under the Paycheck Protection Program in the amount of \$567,495. The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

The loan is specifically earmarked for the Company's operations, and is intended to cover up to 24 weeks of payroll costs, including certain benefits. Funds may also be utilized on other costs, such as rents/leases and utilities.

In October 2020, the Company received notification that the Company's forgiveness application has been approved by the Small Business Administration (SBA), signifying a legal release from the PPP loan. As such, the forgiveness is reported as other income on the statement of income.

9) Subsequent Events

The financial statements were approved by the Company's members and authorized for issue on July 9, 2021.

Management evaluated subsequent events through July 9, 2021. Events or transactions occurring after December 31, 2020, but prior to July 9, 2021, that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020, but arose before the financial statements were available to be issued have been disclosed, but have not been recognized in the financial statements for the year ended December 31, 2020.

Second Paycheck Protection Program

The Company has applied for, and has received, a second loan under the Paycheck Protection Program after December 31, 2020 in the amount of \$203,044. Under the CARES act, if the Company complies with certain provisions related to how the loan proceeds are spent and maintains certain payroll and headcount levels, all or a portion of

Ketamine Wellness Centers, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

the loan will be forgiven. Any portion of the PPP loan that is not forgiven must be repaid over a two-year period (after up to a six-month deferral period unless the lender and borrower mutually agree to extend the maturity to five years), at an interest rate of 1%.

The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.



*Financial Statements
and
Independent Accountant's Review Report
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)*

REDW^{LLC}
CPAs | Advisors

Ketamine Wellness Centers, LLC

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Independent Accountant’s Review Report

Board of Directors and Members
Ketamine Wellness Centers, LLC
Mesa, Arizona

We have reviewed the accompanying interim financial statements of Ketamine Wellness Centers, LLC (the “Company”), an Arizona limited liability company, which comprise the balance sheet as of September 30, 2021, and the related statements of comprehensive income, changes in member’s (deficit) equity, and cash flows for the nine-month period then ended, and the related notes to the interim financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the interim financial statements for them to be in accordance with International Financial Reporting Standards. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2021 interim financial statements in order for them to be in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company prepares its financial statements in accordance with International Financial Reporting Standards, which differ from accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Report on 2020 Financial Statements

The 2020 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated July 9, 2021. We have not performed any auditing procedures since that date.

REDWLLC

Phoenix, Arizona
November 9, 2021

Financial Statements

Ketamine Wellness Centers, LLC
Balance Sheets

		September 30, 2021 (Reviewed)	December 31, 2020 (Audited)
	Notes		
Assets			
Current assets			
Cash		\$ 139,419	\$ 339,710
Accounts receivable, net	2	374,704	94,217
Prepaid expenses		<u>14,291</u>	<u>9,423</u>
Total current assets		<u>528,414</u>	<u>443,350</u>
Noncurrent assets			
Deposits and other noncurrent assets		65,470	47,597
Right-of-use assets	4	1,308,987	683,077
Property and equipment, net	3	<u>60,691</u>	<u>49,364</u>
Total noncurrent assets		<u>1,435,148</u>	<u>780,038</u>
Total assets		<u>\$ 1,963,562</u>	<u>\$ 1,223,388</u>
Liabilities and Member's Equity (Deficit)			
Current liabilities			
Accounts payable		\$ 48,003	\$ 42,737
Accrued expenses		162,933	89,075
Notes payable, current portion	5	27,513	27,370
Lease liabilities, current portion	4	<u>348,874</u>	<u>267,858</u>
Total current liabilities		<u>587,323</u>	<u>427,040</u>
Long-term liabilities			
Deferred revenue		296,541	-
Lease liabilities, net of current portion	4	960,113	415,219
Notes payable, net of current portion	5	<u>206,976</u>	<u>226,355</u>
Total long-term liabilities		<u>1,463,630</u>	<u>641,574</u>
Total liabilities		2,050,953	1,068,614
Member's (deficit) equity		<u>(87,391)</u>	<u>154,774</u>
Total liabilities and member's (deficit) equity		<u>\$ 1,963,562</u>	<u>\$ 1,223,388</u>

See accompanying notes and independent accountant's review report.

Ketamine Wellness Centers, LLC
Statements of Comprehensive Income

	Notes	Nine-Month Period Ended September 30, 2021 (Reviewed)	Year Ended December 31, 2020 (Audited)
Operating Revenues			
Service fees		\$ 3,559,029	\$ 3,449,800
Sales income		<u>9,762</u>	<u>12,474</u>
Total operating revenues		<u>3,568,791</u>	<u>3,462,274</u>
Operating Expenses			
Payroll expenses		2,357,897	2,561,210
Office/general administrative		307,922	90,188
Supplies and materials		234,937	193,916
Depreciation and amortization	3, 4	230,647	237,002
Advertising/promotional		177,053	184,626
Cost of labor		148,775	177,747
Legal and professional fees		134,024	25,206
Insurance		115,321	120,081
Bank charges		99,107	108,970
Other general and administrative	7	74,520	57,540
Utilities		<u>34,521</u>	<u>33,719</u>
Total operating expenses		<u>3,914,724</u>	<u>3,790,205</u>
Net operating loss		<u>(345,933)</u>	<u>(327,931)</u>
Other Income (Expense)			
Interest expense		(99,319)	(93,315)
Other income, including forgiveness of PPP loans	9	<u>203,087</u>	<u>573,691</u>
Net other income		<u>103,768</u>	<u>480,376</u>
Total comprehensive income (loss)		<u>\$ (242,165)</u>	<u>\$ 152,445</u>

See accompanying notes and independent accountant's review report.

Ketamine Wellness Centers, LLC
Statements of Changes in Member's (Deficit) Equity

	Nine-Month Period Ended September 30, 2021 (Reviewed)	Year Ended December 31, 2020 (Audited)
Notes	(Reviewed)	(Audited)
Beginning balances	\$ 154,774	\$ 82,329
Member distributions	-	(80,000)
Comprehensive (loss) income	<u>(242,165)</u>	<u>152,445</u>
Ending balances	<u>\$ (87,391)</u>	<u>\$ 154,774</u>

See accompanying notes and independent accountant's review report.

Ketamine Wellness Centers, LLC
Statements of Cash Flows

	Notes	Nine-Month Period Ended September 30, 2021 (Reviewed)	Year Ended December 31, 2020 (Audited)
Reconciliation of comprehensive (loss) income to net cash used in operating activities			
Comprehensive (loss) income		\$ (242,165)	\$ 152,445
Adjustments to reconcile comprehensive (loss) income to net cash used in operating activities			
PPP loan forgiveness		(203,044)	(567,495)
Bad debt expense		246,241	226,078
Depreciation and amortization expenses	3, 4	230,647	237,002
(Increase) decrease in operating assets			
Accounts receivable		(526,728)	(265,356)
Prepaid expenses		(4,868)	10,782
Deposits and other noncurrent assets		(17,873)	(18,980)
Increase (decrease) in operating liabilities			
Accounts payable		5,266	(6,553)
Accrued expenses		73,858	32,211
Deferred revenue		296,541	-
Net cash used in operating activities		<u>(142,125)</u>	<u>(199,866)</u>
Cash flows from investing activities			
Purchases of property and equipment	3	<u>(23,618)</u>	<u>(16,163)</u>
Net cash used in investing activities		<u>(23,618)</u>	<u>(16,163)</u>
Cash flows from financing activities			
Proceeds from notes payable		203,044	767,495
Lease payable payments		(218,356)	(223,870)
Notes payable payments		(19,236)	(22,993)
Member distributions		-	(80,000)
Net cash (used in) provided by financing activities		<u>(34,548)</u>	<u>440,632</u>
Net (decrease) increase in cash		(200,291)	224,603
Cash, beginning of period		<u>339,710</u>	<u>115,107</u>
Cash, end of period		<u>\$ 139,419</u>	<u>\$ 339,710</u>
Supplementary disclosure and noncash investing and financing activities			
Cash paid for interest		<u>\$ 99,319</u>	<u>\$ 93,315</u>
Finance of right-of-use assets		<u>\$ 844,266</u>	<u>\$ 348,091</u>

See accompanying notes and independent accountant's review report.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

1) Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ketamine Wellness Centers, LLC (the “Company”) was formed as an Arizona limited liability company in May 2017. The Company’s mission is to provide personalized, high-quality care for people suffering from afflictions where ketamine infusions have proven a successful treatment option while actively researching ketamine’s efficacy to treat additional conditions.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Functional and Presentation Currency

These financial statements are presented in United States dollars (USD), which is the Company’s functional currency. All amounts are presented to the nearest USD, unless otherwise indicated.

Basis of Presentation

The balance sheets as of September 30, 2021 and December 31, 2020, and the statements of comprehensive income, changes in member’s (deficit) equity, and cash flows for the nine-month period and year then ended, respectively, of the Company have been prepared under the historical cost convention. Prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

Use of Estimates in Preparing Financial Statements

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from management estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the applicable notes:

- ◆ Note 2 – Accounts Receivable
- ◆ Note 3 – Property and Equipment

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

Current Versus Noncurrent Classification

The Company presents assets and liabilities in the balance sheets based on current/noncurrent classification.

An asset is current when it is:

- ♦ expected to be realized or intended to be sold or consumed in the normal operating cycle,
- ♦ held primarily for the purpose of trading,
- ♦ expected to be realized within twelve months after the reporting period, or
- ♦ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- ♦ it is expected to be settled in the normal operating cycle
- ♦ it is held primarily for the purpose of trading
- ♦ it is due to be settled within twelve months after the reporting period, or
- ♦ there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Cash

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable represents the amounts billed but uncollected for services provided to patients. The Company reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. As a service to the patient, the Company bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed.

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are included in to the allowance for doubtful accounts. At September 30, 2021, and December 31, 2020, provision for uncollectible amounts was \$472,319 and \$226,078, respectively.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

Deposits

The Company makes certain deposits to secure office leases, which will be returned or applied to the final months rent, as applicable.

Property and Equipment

Property and equipment are initially recorded at cost. The cost of maintenance and repairs is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized and depreciated/amortized. When items are retired or disposed of, the cost and accumulated depreciation/amortization are removed from the accounts and any gain or loss is included in operations, or in other income/expense. Depreciation of assets held under finance leases is provided using the straight-line method over the shorter of the estimated useful lives of the lease assets or the lease terms.

Depreciation/amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Leasehold improvements	5-6 Years
Furniture, fixtures, and equipment	3-7 Years
Right-of-use assets (offices)	5-6 Years

Leases

The Company as a Lessee

The Company adopted IFRS 16, *Leases*, as of January 1, 2019. IFRS 16 requires lessees to recognize nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. The Company applies a single recognition and measurement approach for all leases, except for short-term leases (12 months or less) and leases of low-value assets. The Company recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Company recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease Liabilities

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Deferred Revenue

The Company received a grant during the nine-month period ended September 30, 2021, and recorded it as deferred revenue. This revenue will be recognized in future periods as related expenses are incurred.

Revenue Recognition

Service fee revenues result from treatment transactions associated with providing healthcare services, the Company's principal activity. Revenue is recognized when the Company completes the treatment or provides service to the patient.

Advertising Costs

The cost of advertising is expensed when incurred.

Provisions

Accruals are recorded in the balance sheets when the Company has an existing legal or informal obligation as a result of an event occurring, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the payment date has a long-term effect, provisions are calculated through discounting of the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability. The Company's accruals primarily consist of accrued payroll and accrued payroll related expenditures at September 30, 2021 and December 31, 2020.

Income Taxes

The Company is organized as an Arizona Limited Liability Company and taxed as a partnership for federal and state income taxes. Earnings and losses are included in the member's individual income tax returns. Accordingly, the Company does not incur income tax obligations in the United State, and therefore, these financial statements do not include a provision for U.S. income taxes.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

Financial Impact of COVID-19 Pandemic

The Company's operations have been, and continue to be, affected by the recent and ongoing coronavirus (COVID-19) pandemic, which was declared a Public Health Emergency by the World Health Organization on January 30, 2020. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and the related financial impact. Further financial impact cannot be reasonably determined at this time.

New Standards Not Yet Effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The Company does not expect the standards issued by the IASB, but not yet effective, to have a material impact on the Company's financial statements.

2) Accounts Receivable, Net

Accounts receivable consisted of the following:

	September 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Gross service receivables	\$ 847,023	\$ 320,295
Less allowance for uncollectible amounts	<u>(472,319)</u>	<u>(226,078)</u>
Accounts receivable, net	<u>\$ 374,704</u>	<u>\$ 94,217</u>

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

3) Property and Equipment

A summary of property and equipment activity for the nine-month period ended September 30, 2021, and year ended December 31 follows:

	Nine-Month Period Ended September 30, 2021 (Reviewed)			
	Balances December 31, 2020	Additions	Deletions	Balances September 30, 2021
Depreciable/amortizable assets				
Leasehold improvements	\$ 34,165	\$ -	\$ -	\$ 34,165
Furniture, fixtures, and equipment	<u>49,512</u>	<u>23,618</u>	<u>-</u>	<u>73,130</u>
Total depreciable/amortizable assets	<u>83,677</u>	<u>23,618</u>	<u>-</u>	<u>107,295</u>
Less accumulated depreciation/amortization				
Leasehold improvements	(18,369)	(5,473)	-	(23,842)
Furniture, fixtures, and equipment	<u>(15,944)</u>	<u>(6,818)</u>	<u>-</u>	<u>(22,762)</u>
Total accumulated depreciation	<u>(34,313)</u>	<u>(12,291)</u>	<u>-</u>	<u>(46,604)</u>
Property and equipment, net	<u>\$ 49,364</u>	<u>\$ 11,327</u>	<u>\$ -</u>	<u>\$ 60,691</u>
	2020 (Audited)			
	Balances December 31, 2019	Additions	Deletions	Balances December 31, 2020
Depreciable/amortizable assets				
Leasehold improvements	\$ 34,165	\$ -	\$ -	\$ 34,165
Furniture, fixtures, and equipment	<u>33,349</u>	<u>16,163</u>	<u>-</u>	<u>49,512</u>
Total depreciable/amortizable assets	<u>67,514</u>	<u>16,163</u>	<u>-</u>	<u>83,677</u>
Less accumulated depreciation/amortization				
Leasehold improvements	(11,968)	(6,401)	-	(18,369)
Furniture, fixtures, and equipment	<u>(9,213)</u>	<u>(6,731)</u>	<u>-</u>	<u>(15,944)</u>
Total accumulated depreciation	<u>(21,181)</u>	<u>(13,132)</u>	<u>-</u>	<u>(34,313)</u>
Property and equipment, net	<u>\$ 46,333</u>	<u>\$ 3,031</u>	<u>\$ -</u>	<u>\$ 49,364</u>

Depreciation was \$12,291 and \$13,132, for the nine-month period ended September 30, 2021 and year ended December 31, 2020, respectively.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

4) Leases Liabilities

The Company entered into thirteen agreements for the leasing of offices totaling \$1,308,987 with an effective interest rate of 4.6%. Lease payments are \$1,171 to \$4,667 per month commenced May 2016 and maturing January 2026.

The net present value of future lease payments is presented below:

December 31,	Leases		Totals
	Principal	Interest	
2021	\$ 87,218	\$ 17,382	\$ 104,600
2022	285,407	52,144	337,551
2023	309,026	43,105	352,131
2024	259,574	25,994	285,568
2025	228,736	13,664	242,400
2026	132,751	3,917	136,668
2027	6,275	40	6,315
Total lease obligation	1,308,987	\$ 156,246	\$ 1,465,233
Less current portion	(348,874)		
Lease obligation, net of current portion	\$ 960,113		

Total assets capitalized and related accumulated amortization of right-to-use assets is presented below:

	September 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Offices	\$ 1,921,926	\$ 1,077,660
Less accumulated amortization	<u>(612,939)</u>	<u>(394,583)</u>
Total	<u>\$ 1,308,987</u>	<u>\$ 683,077</u>

Amortization expense was \$218,356 and \$223,870, for the nine-month period ended September 30, 2021 and year ended December 31, 2020, respectively.

Ketamine Wellness Centers, LLC
Notes to the Financial Statements
September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

5) Long-Term Debt

For the nine-month period ended September 30, 2021 and year ended December 31, 2020, long-term debt activity consisted of the following:

	Balances December 31, 2020	Additions	Reductions	Balances September 30, 2021 (Reviewed)
Note payable, monthly payments - \$2,354, interest rate 7.75%, maturity date: December 5, 2022	\$ 53,725	\$ -	\$ (19,236)	\$ 34,489
Notes payable, interest only first 12 months, monthly payment - \$926, interest rate 3.75%, maturity date: July 1, 2051	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total notes payable	<u>\$ 253,725</u>	<u>\$ -</u>	<u>\$ (19,236)</u>	<u>\$ 234,489</u>

	Balances December 31, 2019	Additions	Reductions	Balances December 31, 2020 (Audited)
Note payable, monthly payments - \$2,354, interest rate 7.75%, maturity date: December 5, 2022	\$ 76,718	\$ -	\$ (22,993)	\$ 53,725
Notes payable, interest only first 12 months, monthly payment - \$926, interest rate 3.75%, maturity date: July 1, 2051	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total notes payable	<u>\$ 76,718</u>	<u>\$ 200,000</u>	<u>\$ (22,993)</u>	<u>\$ 253,725</u>

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September 30, 2021 (Reviewed) and December 31, 2020 (Audited)

The required future annual payments related to the long-term debt are as follows:

December 31,	Principal	Interest	Total
2022 - 2026	\$ 104,235	\$ 35,378	\$ 139,613
2027 - 2031	22,457	26,087	48,544
2032 - 2036	27,176	28,398	55,574
2037 - 2041	32,771	22,803	55,574
2042 - 2046	39,517	16,056	55,573
2047 - 2051	8,333	552	8,885
	<u>\$ 234,489</u>	<u>\$ 129,274</u>	<u>\$ 363,763</u>

6) Commitments and Contingencies

The Company is periodically involved in legal disputes that may arise from time to time under the normal course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Company's financial position, results of operations, cash flows, or liquidity.

7) Other General and Administrative Expenses

Other general and administrative expenses were comprised of the following for the nine-month period ended September 30 and year ended December 31:

	September 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Maintenance and repair	\$ 28,766	\$ 16,632
Travel	26,630	20,619
Taxes	10,154	6,894
Entertainment/meal	4,836	3,446
Shipping, freight and delivery	3,334	2,473
Equipment rental	800	7,236
Charitable contributions	-	240
	<u>\$ 74,520</u>	<u>\$ 57,540</u>

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8) Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses, and notes payable. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Company's cash, accounts receivable, accounts payable, unearned revenue, and accrued expenses approximates carrying value due to their short-term nature. The Company is unable to determine the fair value of its lease obligations and notes payable. There were no transfers between fair value levels during the nine-month period ended September 30, 2021 and year ended December 31, 2020.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company's maximum credit risk exposure for accounts receivable is equivalent to the carrying value of these instruments.

The Company maintains cash with federally insured financial institutions. At times, the Company's cash balances may exceed the federally insured limits. The Company has historically not experienced any losses in such accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities.

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The Company has the following gross contractual obligations as at September 30, 2021, which are expected to be payable in the following respective periods:

	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued liabilities	\$ 210,936	\$ -	\$ -	\$ -	\$ 210,936
Deferred revenue	296,541	-	-	-	296,541
Leases liabilities	348,874	797,336	139,026	-	1,285,236
Notes payable	27,513	42,491	34,231	130,254	234,489
	<u>\$ 883,864</u>	<u>\$ 839,827</u>	<u>\$ 173,257</u>	<u>\$ 130,254</u>	<u>\$ 2,027,202</u>

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, commodity prices, and energy.

9) Paycheck Protection Program Loan Forgiveness

During 2021 and 2020, the Company applied for and received funds under the Paycheck Protection Program in the amounts of \$203,044 and \$567,495, respectively. The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

The loan is specifically earmarked for the Company's operations, and is intended to cover up to 24 weeks of payroll costs, including certain benefits. Funds may also be utilized on other costs, such as rents/leases and utilities.

During 2021 and 2020, the Company received notification that the Company's forgiveness applications have been approved by the Small Business Administration (SBA), signifying a legal release from the PPP loans. As such, the forgiveness is reported as other income on the accompanying statements of comprehensive income.

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10) Subsequent Events

The financial statements were approved by the Company's members and authorized for issue on November 9, 2021.

Management evaluated subsequent events through November 9, 2021. Events or transactions occurring after nine-month period ended September 30, 2021, but prior to November 9, 2021, that provided additional evidence about conditions that existed at September 30, 2021, have been recognized in the financial statements for the nine-month period ended September 30, 2021. Events or transactions that provided evidence about conditions that did not exist at September 30, 2021, but arose before the financial statements were available to be issued have been disclosed, but have not been recognized in the financial statements for the nine-month period ended September 30, 2021.

The Company has entered into a binding merger agreement with a company on November 5, 2021.