

MEDSMART GROUP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ -	\$ 128,483
Total current assets	-	128,483
Property and equipment, net	-	154,098
Operating lease right of use assets, net	-	450,810
Security deposit	-	18,307
Total assets	<u>\$ -</u>	<u>\$ 751,698</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,069	\$ 8,769
Accrued interest	66,380	81,627
Convertible notes payable, net of debt discount of \$0 and \$273,164, respectively	70,000	270,836
Advances - related parties	6,897	1,147
Operating lease obligations, current portion	-	40,781
Total current liabilities	152,346	403,160
Operating lease obligations, less current portion	-	426,427
Note payable	-	50,000
Total liabilities	152,346	879,587
Commitments and contingencies - See Note 8		
Stockholders' deficit:		
Preferred stock - 40,000,000 shares authorized:		
Preferred stock - Series A, \$0.001 par value, 10,000,000 shares designated; no shares issued and outstanding	-	-
Preferred stock - Series B, \$0.001 par value, 5,000,000 shares designated; no shares issued and outstanding	-	-
Preferred stock - Series C, \$0.001 par value, 5,000,000 shares designated; no shares issued and outstanding	-	-
Common stock - 571,000,000 shares authorized;		
Common stock A, par value \$0.01 per share; 500,000,000 shares designated; 911,937 shares issued and outstanding	9,119	9,119
Common stock B, par value \$0.01 per share; 50,000,000 shares designated; 50,000,000 issued and outstanding	500,000	500,000
Common stock C, par value \$0.01 per share; 20,000,000 shares designated; 1,000,000 issued and outstanding	10,000	10,000
Additional paid-in capital	15,111,122	15,111,122
Accumulated deficit	(15,782,587)	(15,758,130)
Total stockholders' deficit	(152,346)	(127,889)
Total liabilities and stockholders' deficit	<u>\$ -</u>	<u>\$ 751,698</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	-	-	-	-
Operating expenses:				
General and administrative	7,196	26,652	16,494	26,907
Total operating expenses	7,196	26,652	16,494	26,907
Operating loss	(7,196)	(26,652)	(16,494)	(26,907)
Other income (expense):				
Interest expense	(7,800)	(1,222)	(121,238)	(1,222)
Gain on change in value of derivative liability	-	144,345	-	144,345
Assets written off	-	(1,876)	-	(1,876)
Debts written off	-	120,556	-	120,556
Grants SBA	-	2,000	-	2,000
Gain on spin off of subsidiary	113,275	-	113,275	-
Total other income (expense), net	105,475	263,803	(7,963)	263,803
Income (loss) before income taxes	98,279	237,151	(24,457)	236,896
Provision for income taxes	-	-	-	-
Net income (loss)	<u>\$ 98,279</u>	<u>\$ 237,151</u>	<u>\$ (24,457)</u>	<u>\$ 236,896</u>
Net loss per share:				
Basic	<u>\$ 0.11</u>	<u>\$ 0.26</u>	<u>\$ (0.03)</u>	<u>\$ 0.26</u>
Diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.03)</u>	<u>\$ -</u>
Weighted average number of common A shares outstanding:				
Basic	<u>911,937</u>	<u>911,937</u>	<u>911,937</u>	<u>911,937</u>
Diluted	<u>52,193,687</u>	<u>52,388,664</u>	<u>911,937</u>	<u>52,388,664</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021
(Unaudited)

	Common Stock						Additional Paid-In Capital	Accumulated Deficit	Total
	Common Stock A		Common Stock B		Common Stock C				
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance - March 31, 2021 (Unaudited)	911,937	\$ 9,119	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 15,111,122	\$ (15,880,866)	\$ (250,625)
Net loss	-	-	-	-	-	-	-	98,279	98,279
Balance - June 30, 2021 (Unaudited)	911,937	\$ 9,119	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 15,111,122	\$ (15,782,587)	\$ (152,346)

	Common Stock						Additional Additional Paid-In Capital	Accumulated Deficit	Total
	Common Stock A		Common Stock B		Common Stock C				
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance - December 31, 2020 (Unaudited)	911,937	\$ 9,119	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 15,111,122	\$ (15,758,130)	\$ (127,889)
Net loss	-	-	-	-	-	-	-	(24,457)	(24,457)
Balance - June 30, 2021 (Unaudited)	911,937	\$ 9,119	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 15,111,122	\$ (15,782,587)	\$ (152,346)

The accompanying notes are an integral part of the condensed consolidated financial statements.

MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020
(Unaudited)

	Common Stock A		Common Stock B		Common Stock C		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance - March 31, 2020 (Unaudited)	902,873	\$ 9,029	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 14,633,634	\$ (15,545,253)	\$ (392,590)
Merge MedSmart Group, Inc.	-	-	-	-	-	-	87,578	(88,768)	(1,190)
Net loss	-	-	-	-	-	-	-	237,151	237,151
Balance - June 30, 2020 (Unaudited)	<u>902,873</u>	<u>\$ 9,029</u>	<u>50,000,000</u>	<u>\$ 500,000</u>	<u>1,000,000</u>	<u>\$ 10,000</u>	<u>\$ 14,721,212</u>	<u>\$ (15,396,870)</u>	<u>\$ (156,629)</u>

	Common Stock A		Common Stock B		Common Stock C		Additional Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance - December 31, 2019 (Unaudited)	902,873	\$ 9,029	50,000,000	\$ 500,000	1,000,000	\$ 10,000	\$ 14,633,634	\$ (15,544,998)	\$ (392,335)
Merge MedSmart Group, Inc.	-	-	-	-	-	-	87,578	(88,768)	(1,190)
Net loss	-	-	-	-	-	-	-	236,896	236,896
Balance - June 30, 2020 (Unaudited)	<u>902,873</u>	<u>\$ 9,029</u>	<u>50,000,000</u>	<u>\$ 500,000</u>	<u>1,000,000</u>	<u>\$ 10,000</u>	<u>\$ 14,721,212</u>	<u>\$ (15,396,870)</u>	<u>\$ (156,629)</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended	
	June 30,	
	2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	\$ (24,457)	\$ 236,896
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on spin off of subsidiary	(113,275)	-
Change in fair value of derivative liability	-	(139,963)
Depreciation	19,038	-
Interest and amortization of debt discount	121,238	-
Changes in operating assets and liabilities:		
Inventory	-	2,023
Accrued interest	-	2,444
Accounts payable and accrued expenses	300	(123,911)
Net cash provided by (used in) operating activities	<u>2,844</u>	<u>(22,511)</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	-	(4,672)
Cash disposed of in spin off of subsidiary	(128,483)	-
Net cash used in investing activities	<u>(128,483)</u>	<u>(4,672)</u>
Cash Flows From Financing Activities:		
Payments of lease obligations	(9,741)	-
Proceeds from advances - related parties	6,897	-
Proceeds from loans	-	7,232
Proceeds from note payable	-	50,000
Net cash provided by (used in) financing activities	<u>(2,844)</u>	<u>57,232</u>
Net increase (decrease) in cash	(128,483)	30,049
Cash at beginning of period	<u>128,483</u>	<u>169</u>
Cash at end of period	<u>\$ -</u>	<u>\$ 30,218</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**MEDSMART GROUP, INC. AND SUBSIDIARY
(FORMERLY KENERGY SCIENTIFIC, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 — NATURE OF OPERATIONS

Overview

MedSmart Group, Inc. (“MedSmart” or the “Company”), was initially incorporated in New Jersey in 2004 as SpeechSwitch, Inc. as a wholly owned subsidiary of iVoice, Inc., an entity established in the software business industry. On February 11, 2011, the Company changed its name to Kenergy Scientific, Inc. From early 2015 to May 2017, the Company operated a series of Hibachi Grill locations. Due to the complexity and interference caused by being a public company, these operations were spun back out to the original owner, who had remained the managing operator of these locations. In September 2017, the Company redomiciled and is now a Wyoming corporation. On June 23, 2020, the Company executed a Share Exchange agreement with MedSmart Group, Inc., a Florida corporation (“MedSmart Florida”), whereby the Company acquired all of the issued and outstanding shares of MedSmart Florida, a Florida-based medical wellness and antiaging centers focused on Men's health, and well-being.

On April 5, 2021, the Company entered into an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations (the “Conveyance Agreement”) with MedSmart Wellness Centers, Inc. (“MWC”) whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC (See Notes 4-7, Note 10 and Note 12).

Basis of Presentation

The interim unaudited condensed financial statements included herein reflect all material adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) which, in the opinion of the Company's management, are ordinary and necessary for a fair presentation of results for the interim periods. Certain information and footnote disclosures required under generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company's management believes the disclosures are adequate to make the information presented not misleading.

The condensed balance sheet information as of December 31, 2020 was derived from the Company's annual financial statements for the year ended December 31, 2020 (“2020 Annual Report”), filed on March 25, 2021. These interim unaudited condensed financial statements should be read in conjunction with the 2020 Annual Report. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the entire fiscal year or for any other period.

NOTE 2 — GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of June 30, 2021, the Company had cash of \$0 and a working capital deficit (current liabilities in excess of current assets) of \$152,346. During the six months ended June 30, 2021, the net loss was \$24,457 and net cash provided by operating activities was \$2,844. These conditions raise substantial doubt about the Company's ability to continue as a going concern for one year from the issuance of the consolidated financial statements.

During the six months ended June 30, 2021, the Company received proceeds of \$6,897 from advances from the Chief Executive Officer.

The Company's primary source of operating funds since inception has been cash proceeds from operations and funds received from the issuance of debt instruments. The Company expects to incur net losses until such time it develops operations or successfully merges with an operating entity. The Company's ability to continue its operations is dependent upon its ability to obtain additional capital through public or private equity offerings, debt financings or other sources; however, financing may not be available to the Company on acceptable terms, or at all. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategy, and the Company may be forced to curtail or cease operations.

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Management's current business plan is primarily to serve as a vehicle for the acquisition of or merger or consolidation with another company (a "target business"). The Company intends to use its available working capital, capital stock, debt, or a combination of these to effect a business combination with a target business which management believes has significant growth potential. In the interim, management plans to fund operations from advances from an entity controlled by the Chief Executive Officer. The Company's continued existence is dependent upon its ability to continue to obtain funding and to acquire or merge with a target business. Presently, the Company's Chief Executive Officer is keeping the Company active in anticipation of being able to acquire a United Kingdom affiliated business which has revenue and operations. Whether that acquisition occurs will depend upon whether the Company is able to obtain audited financial statements for the year ended December 31, 2020 and the year ending December 31, 2021. While that will await the efforts and judgment of the Company's independent auditors, the Company believes it can be done. Because of certain matters including the Company's 2019 revenues and the absence of records, an audit for 2019 is not practicable. Assuming the audited financial statements are issued, the Company intends to acquire the related party entity for an unknown number and type of securities; however, any such acquisition will be very dilutive to existing shareholders since the Company is a shell with no operations and the affiliated entity owns an active business with revenues and operations. However, the outcome of management's plans cannot be determined with any degree of certainty.

Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for one year from the date the consolidated financial statements are issued. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not necessarily purport to represent realizable or settlement values. The consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak of COVID-19 and its effects on our future business opportunities. Because the Company has no operations, the pandemic is not affecting the Company but it may have an impact on its Chief Executive Officer's affiliated entity. Furthermore, the COVID-19 outbreak has and may continue to impact the Company's ability to raise capital.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, liquidity, and capital resources, and those of the third parties on which the Company relies.

NOTE 3 — ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the accompanying consolidated financial statements include the valuation of lease liabilities and the carrying value of the related right-of-use ("ROU") assets, the depreciable lives of property and equipment, valuation of loss contingencies, valuation of stock-based compensation and the valuation allowance on deferred tax assets. Actual results may differ from these estimates.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary MedSmart Florida until April 5, 2021, the date on which MedSmart Florida was spun off. All significant intercompany transactions and balances have been eliminated in consolidation.

Fair Value of Financial Instruments

**MEDSMART GROUP, INC. AND SUBSIDIARY
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The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Subtopic 825-10, “Financial Instruments” (“ASC 825-10”) requires disclosure of the fair value of certain financial instruments. The estimated fair value of certain financial instruments, including accrued expenses are carried at historical cost basis, which approximates their fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at June 30, 2021 and December 31, 2020. The Company maintains its cash in banks insured by the Federal Deposit Insurance Corporation in accounts that at times may be in excess of the federally insured limit of \$250,000 per bank. At June 30, 2021 and December 31, 2020, the uninsured balances amounted to \$0.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Property and Equipment

Property and equipment is recorded at cost. Repairs and maintenance costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

<u>Classification</u>	<u>Estimated Useful Lives</u>
Equipment	5 to 7 years
Furniture and fixtures	4 to 7 years

Long-Lived Assets

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the

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fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Income Taxes

The Company accounts for its income taxes in accordance with accounting principles generally accepted in the United States of America, which requires, among other things, recognition of future tax benefits and liabilities measured at enacted rates attributable to temporary differences between financial statement and income tax bases of assets and liabilities and to net tax operating loss carryforwards to the extent that realization of these benefits is more likely than not. The Company periodically evaluates the realizability of its net deferred tax assets. The Company's policy is to account for interest and penalties relating to income taxes, if any, in "income tax expense" in its consolidated statements of operations and include accrued interest and penalties within "accrued liabilities" in its consolidated balance sheets, if applicable. For the six months ended June 30, 2021 and 2020, no income tax related interest or penalties were assessed or recorded.

Beneficial Conversion Feature

If the conversion features of conventional convertible debt provide for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC 470-20 "Debt with Conversion and Other Options". In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense over the life of the debt using the effective interest method.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date fair value of the award and is expensed over the requisite service period. For stock-based awards to employees, non-employees and directors, the Company calculates the fair value of the award on the date of grant using the Black-Scholes option pricing model, which includes variables such as the expected volatility of the Company's share price, the exercise behavior of its grantees, interest rates, and dividend yields. These variables are projected based on the Company's historical data, experience, and other factors. In the case of awards with multiple vesting periods, the Company has elected to use the graded vesting attribution method, which recognizes compensation cost on a straight-line basis over each separately vesting portion of the award as if the award was, in substance, multiple awards.

Recent Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 removes certain disclosure requirements, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. ASU 2018-13 also adds disclosure requirements, including changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments on changes in unrealized gains and losses, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. ASU 2018-13 became effective for the Company on January 1, 2020. The adoption of this update did not have a material impact on the Company's consolidated financial statements and related disclosures.

FASB ASU 2016-02, Leases (Topic 842) – ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the

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amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all non-public business entities upon issuance. The adoption of this standard had a material impact on the Company's financial position and results of operations.

FASB ASU No. 2018-07 (Topic 718), "Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting" – Issued in June 2018, ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The new standard became effective for the Company as of January 1, 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial condition or results of operations.

There are other various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 4 — RIGHT TO USE ASSETS AND LEASE LIABILITY

The Company entered into a seven-year lease for a medical office in Aventura, Florida that consisted of 2,000 square feet of space with base rent beginning at \$90,000 per year and escalating to \$106,640 per year plus a pro rata share of the landlord's operating expenses.

On September 10, 2020, the lease commencement date, the Company estimated the lease liability and the right of use assets at present value using the Company's estimated incremental borrowing rate of 11% and determined their initial present values, at inception, of \$466,123. In determining the length of the lease term to its long-term lease, the Company determined there was not an option to extend the lease. Accordingly, in accordance with ASC Topic 842, the Company recorded right to use assets of \$466,123 and lease liability of \$466,123.

On April 5, 2021, the Company entered into an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations (the "Conveyance Agreement") with MedSmart Wellness Centers, Inc. whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC. As a result, the remaining operating lease right of use assets and operating lease obligations were written off and factored into the gain on spin off of subsidiary (See Note 10). Subsequently, in April 2021, the Company entered into a month-to-month lease agreement with Opus Virtual Offices LLC located in New York, NY at the rate of \$99 per month.

During the six months ended June 30, 2021 and 2020, the Company recognized \$1,794 and \$0, respectively, as lease expense.

NOTE 5 — CONVERTIBLE NOTES PAYABLE

On May 7, 2013, the Company issued an unsecured convertible promissory note in the principal amount of \$180,000 that is now due on demand and bears interest at a rate of 9% per annum. The note provides that the investor has the right to convert the outstanding balance of the note into shares of common stock of the Company at a conversion price equal to a sixty percent (60%) discount to the closing price of the Company's common stock on the OTC Markets electronic exchange. On March 29, 2021, this note was assigned from MJ Holdings Group, Inc. (an entity controlled by Jessica Miller) to Junood Corp. As of June 30, 2021 and December 31, 2020, the remaining carrying value of the note was \$70,000. At June 30, 2021 and December 31, 2020, accrued interest on the note was \$66,367 and \$63,243, respectively, and is included in accrued interest on the accompanying balance sheet. The Company is exploring with its counsel whether the note is enforceable.

On August 25, 2020, the Company issued an unsecured convertible promissory note in the principal amount of \$200,000 that was due August 25, 2021 and accrued interest at a rate of 12% per annum. Interest was payable in shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar of accrued interest. The investor had the right to convert the outstanding balance of the note at any time into shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar converted. Each share of Series B is convertible into 10 shares of common stock of the Company. As a

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result of the beneficial conversion feature of the note, debt discount of \$200,000 was recognized with a corresponding increase in additional paid-in capital. The debt discount was being amortized to interest expense over the term of the note. Upon the occurrence of an event of default, the remaining principal and accrued interest became immediately due and payable, with interest accruing at 24% per annum on any unpaid amounts. On September 1, 2020, as a result of a breach of covenant 8(n), the principal balance of the note was increased by 20% with a corresponding increase in interest expense. Effective April 5, 2021, the noteholder agreed to the assignment of the promissory note to MedSmart Florida and, accordingly, as a result of the spin off of this subsidiary, both the convertible note payable and accrued interest were written off and factored into the gain on spin off of subsidiary (See Note 10). As of June 30, 2021 and December 31, 2020, the remaining carrying value of the note was \$0 and \$110,137, net of debt discount of \$0 and \$129,863. As of June 30, 2021 and December 31, 2020, accrued interest on the note was \$0 and \$10,008, respectively, and is included in accrued interest on the accompanying balance sheet (See Also Note 8 regarding litigation).

On August 27, 2020, the Company issued an unsecured convertible promissory note in the principal amount of \$100,000 that was due August 27, 2021 and accrued interest at a rate of 12% per annum. Interest was payable in shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar of accrued interest. The investor had the right to convert the outstanding balance of the note at any time into shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar converted. Each share of Series B is convertible into 10 shares of common stock of the Company. As a result of the beneficial conversion feature of the note, debt discount of \$100,000 was recognized with a corresponding increase in additional paid-in capital. The debt discount was being amortized to interest expense over the term of the note. Upon the occurrence of an event of default, the remaining principal and accrued interest became immediately due and payable, with interest accruing at 24% per annum on any unpaid amounts. On September 3, 2020, as a result of a breach of covenant 8(n), the principal balance of the note was increased by 20% with a corresponding increase in interest expense. Effective April 5, 2021, the noteholder agreed to the assignment of the promissory note to MedSmart Florida and, accordingly, as a result of the spin off of this subsidiary, both the convertible note payable and accrued interest were written off and factored into the gain on spin off of subsidiary (See Note 10). As of June 30, 2021 and December 31, 2020, the remaining carrying value of the note was \$0 and \$54,521, net of debt discount of \$0 and \$65,479. As of June 30, 2021 and December 31, 2020, accrued interest on the note was \$0 and \$4,925, respectively, and is included in accrued interest on the accompanying balance sheet.

On October 26, 2020, the Company issued an unsecured convertible promissory note in the principal amount of \$95,000 that was due October 26, 2021 and accrued interest at a rate of 12% per annum. Interest was payable in shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar of accrued interest. The investor had the right to convert the outstanding balance of the note at any time into shares of Series B Preferred Stock of the Company at the rate of one Series B share for each dollar converted. Each share of Series B is convertible into 10 shares of common stock of the Company. As a result of the beneficial conversion feature of the note, debt discount of \$95,000 was recognized with a corresponding increase in additional paid-in capital. The debt discount was being amortized to interest expense over the term of the note. Upon the occurrence of an event of default, the remaining principal and accrued interest became immediately due and payable, with interest accruing at 24% per annum on any unpaid amounts. On November 2, 2020, as a result of a breach of covenant 8(n), the principal balance of the note was increased by 20% with a corresponding increase in interest expense. Effective April 5, 2021, the noteholder agreed to the assignment of the promissory note to MedSmart Florida and, accordingly, as a result of the spin off of this subsidiary, both the convertible note payable and accrued interest were written off and factored into the gain on spin off of subsidiary (See Note 10). As of June 30, 2021 and December 31, 2020, the remaining carrying value of the note was \$0 and \$36,178, net of debt discount of \$0 and \$77,822. As of June 30, 2021 and December 31, 2020, accrued interest on the note was \$0 and \$2,430, respectively, and is included in accrued interest on the accompanying balance sheet (See Also Note 8 regarding litigation).

NOTE 6 — NOTE PAYABLE

On June 15, 2020, MedSmart Florida executed the standard loan documents for an Economic Injury Disaster Loan (“EIDL”) from the U.S. Small Business Administration in light of the impact of the COVID-19 pandemic on the Company. Pursuant to that certain Loan Authorization and Agreement (the “SBA Loan Agreement”), the principal amount of the EIDL received was \$50,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum. Installment payments, including principal and interest, are due monthly beginning June 15, 2021 (twelve months from the date of the SBA Loan Agreement) in the amount of \$244. On March 15, 2021, the initial payment date was extended 12 months to June 15, 2022. The balance of principal and interest is payable thirty years from the date of the SBA Loan Agreement. On April 5, 2021,

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the Company entered into the Conveyance Agreement with MWC whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC. As a result, the EIDL and accrued interest were written off and factored into the gain on spin off of subsidiary (See Note 10). At June 30, 2021 and December 31, 2020, the remaining carrying value of the note was \$0 and \$50,000, respectively. At June 30, 2021 and December 31, 2020, accrued interest on the note was \$0 and \$1,022, respectively, and is included in accrued interest on the accompanying condensed consolidated balance sheet.

NOTE 7 – ADVANCES – RELATED PARTIES

During the six months ended June 30, 2021, the Company received aggregate proceeds from advances from an entity controlled by the Company's Chief Executive Officer of \$6,897. The advances are due on demand and bear interest at 6% per annum. As of June 30, 2021, the Company owed \$6,897 in principal and \$13 in accrued interest for the advances (See Note 12).

At June 30, 2021 and December 31, 2020, \$0 and \$1,147 was owed to a former related party. On April 5, 2021, the Company entered into the Conveyance Agreement with MWC whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC. As a result, the advance was written off and factored into the gain on spin off of subsidiary (See Note 10 and Note 12).

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Legal Matters

On November 11, 2021, the Company received a copy of a complaint filed in the Circuit Court of the 11th Judicial Circuit in Miami, Florida, whereby Colossal Enterprise Group, Inc. and Ashley Rojas, holders of convertible promissory notes in the aggregate principal amount \$295,000 issued by the Company in 2020 (the "Notes"), claim that the Company has breached the terms of the Notes (See Note 5). The Company believes the claim against the Company is without merit, as the Notes were assigned and assumed by Med Smart Florida under the Conveyance Agreement and the note holders consented to the assignment and assumption. Further the complaint names the Company's Chief Executive Officer as a defendant. The Chief Executive Officer resides outside of the United States and had no relationship or contact with the Company or its former subsidiary as of the time of the issuance and subsequent assignment of the Notes. The act of naming him reflects upon the validity of the entire complaint.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity. There was no outstanding litigation as of June 30, 2021 other than that described above.

NOTE 9 — STOCKHOLDERS' DEFICIT

Preferred Stock

On February 1, 2021, the Company amended its Articles of Incorporation to change the number of authorized preferred shares to 40,000,000 shares of preferred stock, of which 10,000,000 shares were designated Series A preferred, 5,000,000 shares were designated Series B preferred and 5,000,000 shares were designated Series C preferred, which has been reflected retroactively in the accompanying condensed consolidated financial statements.

Each share of Series A preferred stock has a stated value of \$0.001 per share, has voting rights of the common stock on a 1 for 1,000 basis, and is convertible into 100 shares of common stock, subject to certain adjustments.

Each share of Series B preferred stock has a stated value of \$0.001 per share, has no voting rights except as related to the Series B, and is convertible into 10 shares of common stock, subject to certain adjustments.

Each share of Series C preferred stock has a stated value of \$0.001 per share, has no voting rights except as related to the Series C, and is convertible into 3 shares of common stock, subject to certain adjustments.

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At June 30, 2021 and December 31, 2020, there were no preferred shares issued and outstanding.

Common Stock

On July 1, 2020, the Company amended its Articles of Incorporation to change the number of authorized common shares to 571,000,000 shares of common stock, par value \$0.01 per share, of which 500,000,000 shares were designated Common Stock A, 50,000,000 shares were designated Common Stock B and 1,000,000 shares were designated Common Stock C, which has been reflected retroactively in the accompanying condensed consolidated financial statements.

On July 1, 2020, the Company effected 1-for-5,000 reverse split of its Class A common stock. All references to common shares and per-share data for all periods presented in this report have been retroactively adjusted to give effect to this reverse split.

At June 30, 2021 and December 31, 2020, there were 911,937 shares of common stock outstanding.

NOTE 10 — SPIN OFF OF SUBSIDIARY

On April 5, 2021, the Company entered into the Conveyance Agreement with MWC whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC. Accordingly, the following assets and liabilities were removed from the condensed consolidated balance sheet.

	(Assets) Liabilities Removed
Cash	(128,483)
Property and equipment, net	(146,198)
Operating lease right of use assets, net	(439,672)
Security deposit	(18,307)
Accrued interest	33,677
Convertible notes payable, net	303,644
Advances - related parties	1,147
Operating lease obligations	457,467
Note payable	50,000
Gain on spin off of subsidiary	<u>113,275</u>

On April 5, 2021, upon closing of the Conveyance Agreement, the Company transferred all of the shares it held in its wholly owned subsidiary MedSmart Florida to MWC, so that MWC became the sole shareholder of MedSmart Florida. Accordingly, MedSmart Florida is no longer a subsidiary of the Company.

NOTE 11 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share data for each period presented is computed using the weighted average number of shares of common stock outstanding during each such period. Diluted earnings (loss) per share data is computed using the weighted average number of common and dilutive common equivalent shares outstanding during each period. Dilutive common-equivalent shares consist of: (i) shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method, and (ii) shares issuable upon conversion of convertible notes. The Company calculated the potential diluted earnings per share in accordance with ASC 260, as follows:

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss) (numerator for basic and diluted earnings (loss) per share)	\$ 98,279	\$ 237,151	\$ (24,457)	\$ 236,896
Weighted average shares outstanding (denominator for basic earnings (loss) per share)	911,937	911,937	911,937	911,937
Effects of dilutive securities:				
Assumed conversion of convertible notes	281,750	476,727	-	476,727
Assumed conversion of Common B shares	50,000,000	50,000,000	-	50,000,000
Assumed conversion of Common C shares	1,000,000	1,000,000	-	1,000,000
Weighted average dilutive potential common shares	51,281,750	51,476,727	-	51,476,727
Denominator for diluted earnings (loss) per share - weighted average shares and assumed potential common shares	52,193,687	52,388,664	911,937	52,388,664
Basic earnings per share	\$ 0.11	\$ 0.26	\$ (0.03)	\$ 0.26
Diluted earnings per share	\$ -	\$ -	\$ (0.03)	\$ -

NOTE 12 – RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2021, the Company received aggregate proceeds from advances from an entity controlled by the Company's Chief Executive Officer of \$6,897. The advances are due on demand and bear interest at 6% per annum. As of June 30, 2021, the Company owed \$6,897 in principal and \$13 in accrued interest for the advances (See Note 7).

At June 30, 2021 and December 31, 2020, \$0 and \$1,147 was owed to a former affiliate. On April 5, 2021, the Company entered the Conveyance Agreement with MWC whereby the Company spun off its wholly owned subsidiary MedSmart Florida to MWC. As a result, the advance was written off and factored into the gain on spin off of subsidiary (See Note 7).

NOTE 13 — SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the unaudited condensed consolidated financial statements are issued.

On July 23, 2021, the Company issued 50,000,000 Common A shares in exchange for the return to the Company of all 50,000,000 Common B shares held by Amina Group Limited. The Common B shares were retired by the Company and returned to treasury. Amina Group Limited is an affiliate of the Company's Chief Executive Officer. Effective July 23, 2021, there are no shares of Common B shares issued or outstanding.

On July 23, 2021, the Company issued 1,000,000 Common A shares in exchange for the return to the Company of all 1,000,000 Common C shares held by Amina Group Limited. The Common C shares were retired by the Company and returned to treasury. Amina Group Limited is an affiliate of the Company's Chief Executive Officer. Effective July 23, 2021, there are no shares of Common C shares issued or outstanding.

On November 11, 2021, the Company received a copy of a complaint filed in the Circuit Court of the 11th Judicial Circuit in Miami, Florida, whereby Colossal Enterprise Group, Inc. and Ashley Rojas, holders of convertible promissory notes in the aggregate principal amount \$295,000 issued by the Company in 2020 (the "Notes"), claim that the Company has breached the terms of the Notes (See Note 5). The Company believes the claim against the Company is without merit, as the Notes were assigned and assumed by Med Smart Florida under the Conveyance Agreement and the note holders consented to the assignment and assumption. Further the complaint names the Company's Chief Executive Officer as a defendant. The Chief Executive Officer resides outside of the United States and had no relationship or contact with the Company or its former subsidiary as of the time of the issuance and subsequent assignment of the Notes. The act of naming him reflects upon the validity of the entire complaint.