

**Revitalist, LLC**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in US dollars)

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of Revitalist, LLC

We have audited the accompanying financial statements of Revitalist, LLC which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income/loss, changes in equity and cash flows for the years ended December 31, 2020, 2019 and 2018, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

June 3, 2021

**Revitalist, LLC**  
Statements of Financial Position  
(Expressed in US dollars)

	December 31, 2020	December 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	13,260	22,958
Accounts receivable	2,724	5,756
Due from related party (Note 6)	1,000	-
Total current assets	<u>16,984</u>	<u>28,714</u>
<b>Property and equipment</b>	<u>69,902</u>	<u>13,363</u>
<b>TOTAL ASSETS</b>	<u>86,886</u>	<u>42,077</u>
<b>LIABILITIES AND SHAREHOLDERS DEFICIENCY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	16,967	12,889
Due to related party (Note 6)	-	34,712
<b>TOTAL LIABILITIES</b>	<u>16,967</u>	<u>47,601</u>
<b>MEMBER'S EQUITY</b>		
Retained earnings (deficit)	<u>69,919</u>	<u>(5,524)</u>
<b>TOTAL MEMBER'S EQUITY</b>	<u>69,919</u>	<u>(5,524)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>86,886</u>	<u>42,077</u>

Nature of business and going concern (Note 1)  
Subsequent event (Note 11)

These financial statements were approved by the Member on June 3, 2021.

"William Walker"  
William Walker, Sole Member

The accompanying notes are an integral part of these financial statements

**Revitalist, LLC**Statements of Net Income and Comprehensive Income  
(Expressed in US dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
	\$	\$	\$
<b>REVENUE:</b>			
Clinic revenue	814,636	685,516	245,903
<b>EXPENSES</b>			
Salaries and benefits	466,187	348,359	137,630
Rent	90,000	67,500	15,000
Consulting	73,428	96,341	2,095
Medication and supplies	70,563	44,007	26,868
General and administrative	69,313	56,569	27,761
Advertising and promotion	23,944	18,986	28,778
Repairs and maintenance	17,282	10,774	16,427
Utilities	6,859	7,668	5,050
Insurance	4,569	25,681	7,871
Amortization	3,238	2,819	1,596
<b>Total Expenses</b>	<u>825,383</u>	<u>678,704</u>	<u>269,076</u>
<b>Net Income (Loss) and Comprehensive Income (Loss) before Other Income</b>	<b>(10,747)</b>	<b>6,812</b>	<b>(23,173)</b>
<b>Other income</b>			
Forgiveness of loan (Note 10)	55,016	-	-
Sublease revenue (Note 9)	31,174	10,838	-
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<u><b>75,443</b></u>	<u><b>17,650</b></u>	<u><b>(23,173)</b></u>
Basic and diluted income (loss) per member unit	<u>75,443</u>	<u>17,650</u>	<u>(23,173)</u>
Weighted average number of units outstanding: basic and diluted	<u>1</u>	<u>1</u>	<u>1</u>

The accompanying notes are an integral part of these financial statements

**Revitalist, LLC**Statements of Changes in Member's Equity  
(Expressed in US dollars)

	Member Capital		Retained Earnings (Deficit)	Total Member's Equity
	#	\$	\$	\$
Balance at December 31, 2017	1	-	-	-
Net loss for the year			(23,173)	(23,173)
Balance at December 31, 2018	1	-	(23,173)	(23,173)
Net income for the year			17,650	17,650
Balance at December 31, 2019	1	-	(5,524)	(5,524)
Net income for the year			75,443	75,443
Balance at December 31, 2020	1	-	69,919	69,919

The accompanying notes are an integral part of these financial statements

**Revitalist, LLC**  
 Statements of Cash Flows  
 (Expressed in US dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	75,443	17,650	(23,173)
Non-cash items:			
Amortization	3,238	2,819	1,596
Forgiveness of loan	(55,016)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	3,032	(2,924)	(1,333)
Accounts payable	4,078	(5,376)	18,265
Due to related party	(35,712)	9,020	24,192
Net cash (used) provided by operating activities	<u>(4,937)</u>	<u>21,189</u>	<u>19,547</u>
<b>CASH FLOW FROM INVESTING ACTIVITY:</b>			
Purchase of property and equipment	(59,777)	(10,809)	(6,969)
<b>CASH FLOW FROM FINANCING ACTIVITY:</b>			
Loan	55,016	-	-
<b>Change in cash</b>	<u>(9,698)</u>	<u>10,380</u>	<u>12,578</u>
Cash, beginning of year	<u>22,958</u>	<u>12,578</u>	<u>-</u>
Cash, end of year	<u><u>13,260</u></u>	<u><u>22,958</u></u>	<u><u>12,578</u></u>
<b>Supplemental cash flow information</b>			
Interest paid	-	-	-

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

## **Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Revitalist, LLC (the “Company”) is a limited liability company organized in Nashville, Tennessee on November 18, 2017. The Company’s head office is located at 10608 Flickenger Lane, Knoxville, TN, 37922.

The Company’s primary business is the operation of a medical clinic specializing in Ketamine treatments.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. The Company does not have sufficient working capital and has not earned sufficient income to fully support the operations. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities, when due, is dependent upon the Company’s ability to execute its business plan which may require additional financing. The timing and availability of additional financing will be determined largely by the performance of the Company and market conditions and there is no certainty that the Company will be able to raise funds as they are required in the future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

In March 2020, the World Health Organization declared coronavirus 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, economies, and financial markets globally, potentially leading to an economic downturn. The Company’s operations have not been impacted by the pandemic. Management continues to monitor the situation and take the necessary precautions as deemed appropriate.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Member on June 3, 2021.

#### **Basis of measurement**

These financial statements have been prepared on a historical cost basis except for and financial instruments, which are measured at fair value, as disclosed in Note 7.

The functional and presentation currency of the Company is the US dollar.

#### **Significant accounting judgments and estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the financial statements.

Significant accounting estimates:

1. inputs used in impairment calculations;

Significant accounting judgments:

1. the evaluation of the Company's ability to continue as a going concern;
2. assessment of indications of impairment; and
3. the determination of categories of financial assets and financial liabilities

**Income (loss) per membership unit**

Basic income (loss) per membership unit is computed by dividing the net income (loss) for the period by the weighted average number of membership units outstanding during the period. To compute diluted income (loss) per membership unit, adjustments are made to membership units outstanding, if applicable. The weighted average number of membership units outstanding is adjusted to include the number of additional membership units that would be outstanding if, at the beginning of the period or at the time of issuance, all options and warrants were exercised. The proceeds from exercise are assumed to be used to purchase the Company's membership units at their average market price during the period. If this computation is anti-dilutive, diluted income (loss) per membership unit is the same as basic income (loss) per membership unit. For the periods presented, this calculation proved to be anti-dilutive.

**Income taxes**

The Company is treated as a flow-through entity for federal income tax purposes, which is a pass through entity and does not incur federal income tax. Instead, its earnings and losses are included in the personal returns of its member and taxed at the individual member level. The Company's net income or loss is allocated to the member in accordance with the Company's operating agreement.

**Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

**Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets – Classification*

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

*Fair value hierarchy*

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices 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 or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

*Financial assets - Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)**

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method.

**Fair value through OCI (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Comprehensive Loss in the period in which it arises.

*Financial liabilities*

The Company classifies its financial liabilities into the following categories:

- Financial liabilities at FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not designate any financial liabilities at FVTPL. The Company has designated its accounts payable and due to related party as amortized cost.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property and equipment**

Property and equipment is recorded at historical cost less related accumulated amortization and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. The Company provides for amortization of property and equipment on a straight-line basis unless otherwise noted using the following annual rates:

Leasehold improvements: Straight-line over useful life estimated at 10 years.

Furniture and fixtures: Straight-line over useful life estimated at 4 years.

No amortization is recorded until the assets are put into use.

**Revenue Recognition**

The Company generates revenue primarily from the provision of psychotherapy services. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized: 1. Identify the contract with a customer; 2. Identify the performance obligation(s) in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligation(s) in the contract; and 5. Recognize revenue when or as the Group satisfies the performance obligation(s). Patient service revenues are recognized over a period of time as performance obligations are completed. Payment of the transaction price for patient services are typically due at the time the services are rendered. Patient service revenues are measured at the net patient service revenues received or receivable, which includes contractual allowances and discounts. In circumstances where the net patient service revenues have not yet been received, the amount of revenue recognized is estimated based on an expected value approach where management considers such variables as the average of previous net service revenues received by the applicable payor and fees received by other patients for similar services and management's best estimate leveraging industry knowledge and expectations of third-party payors' fee schedules. Third-party payors include federal and state agencies (under the Medicare programs), managed care health plans and commercial insurance companies.

**Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The Company's long-lived assets consists of property and equipment and the right-of-use asset.

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Leases**

Effective January 1, 2020, the Company adopted all of the requirements of IFRS 16. IFRS 16 specifies how a Company will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. There was no material impact on the Company's consolidated financial statements upon the adoption of this new standard.

**Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**4. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Furniture and equipment	Total
	\$	\$	\$
<b>Cost:</b>			
Balance, December 31, 2018	978	5,991	6,969
Additions	9,859	950	10,809
Balance, December 31, 2019	10,837	6,941	17,779
Additions	58,100	1,677	59,777
Balance, December 31, 2020	68,937	8,618	77,555
<b>Accumulated depreciation:</b>			
Balance, December 31, 2018	98	1,498	1,596
Depreciation	1,084	1,735	2,819
Balance, December 31, 2019	1,182	3,233	4,415
Depreciation	1,084	2,154	3,238
Balance, December 31, 2020	2,265	5,388	7,653
<b>Carrying amounts:</b>			
As at December 31, 2019	9,656	3,708	13,363
As at December 31, 2020	66,672	3,230	69,902

**5. MEMBER CAPITAL**

The Company has an unlimited number of member units without par value authorized for issuance. There were no member units issued for the years ended December 31, 2020 and 2019.

**6. RELATED PARTY TRANSACTIONS AND BALANCES****Key Management personnel compensation**

Key management personnel consist of officers and directors of the Company. The Company incurred \$119,400 in management compensation for the year ended December 31, 2020 (2019 - \$131,848).

**Other related party transactions**

The Company paid \$90,000 (2019-\$32,500) rent expenses to a company controlled by the CEO and the owner of the Company.

As of December 31, 2020, the balance owing from management personnel totaled \$1,000. As at December 31, 2019, the balance owing to management personnel totaled \$34,172.

## **Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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### **7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, accounts receivable, due to and from related party and accounts payable. The carrying value of these financial instruments approximates their fair values due to their immediate or short-term maturity.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalents are classified under Level 1.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. The Company does not have any financial instruments classified under Level 3.

The Company's financial instruments are exposed to the following risks:

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management and ensuring that sufficient financial resources to meet liabilities as they come due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity prices and foreign exchange rates. The company is not exposed to market risk.

#### Interest Rate Risk

Interest rate risk consists of two components:

To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

#### Foreign exchange risk

The Company's functional and reporting currency is the US dollar. The Company's transactions are predominantly in US dollars. As a result, the Company's exposure to foreign currency risk is minimal.

## **Revitalist, LLC**

Notes to the financial statements

For the years ended December 31, 2020 and 2019

(Expressed in US dollars)

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### **8. CAPITAL MANAGEMENT**

The Company's capital structure consists of members' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

### **9. SUBLEASE REVENUE**

The Company subleases space within its medical clinic to therapists. Sublease rent ranges from \$300-\$1000 per month, per room with terms including month to month or annual subleases with a 60 day termination clause.

### **10. LOAN**

On April 10, 2020, the company received a loan from Renasant Bank totaling \$54,700. On November 25, 2020, the full amount of the loan and accrued interest totaling \$55,016 was forgiven.

### **11. SUBSEQUENT EVENT**

#### *Acquisition*

On February 16, 2021, Ketamine Holdings USA Ltd ("Ketamine Holdings USA") entered into an agreement to acquire 100% of the membership interest of Revitalist, LLC from the sole member (the "Revitalist Acquisition"). This agreement was subsequently amended on April 13, 2021. Consideration for the Revitalist Acquisition includes two times normalized revenue for the year ended December 31, 2020, increased by two times the insurance billings collected between January 1, 2021 and December 31, 2021 that relates to services performed during the year ended December 31, 2020 ("Purchase Price"). The final calculation of the Purchase Price will be made by January 15, 2022 and is payable in cash and in common shares of the Company. Cash consideration of \$150,000 USD is payable on closing and the remainder of the Purchase Price is payable in common shares on the one year anniversary of the Revitalist Acquisition. Upon completion of the Revitalist Acquisition, Revitalist, LLC will become a wholly owned subsidiary of Ketamine Holdings USA. The Revitalist Acquisition will be accounted for as a business combination as the assets acquired and liabilities assumed constitute a business. The transaction will be accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed will be recorded at their estimated fair value at the measurement date of February 16, 2021 in the records of Ketamine Holdings USA.

#### *Employment Agreement*

On February 12, 2021, the Company entered into an employment agreement with Kathryn Walker. The term of the contract is for one year with successive automatic renewals for twelve months unless terminated by either party. Kathryn will receive base compensation of \$250,000 USD per year and is eligible to receive a bonus at the discretion of the Company.

#### *Commercial Lease Agreement*

On February 16, 2021, the Company entered into a commercial lease agreement for the Knoxville clinic space with a company controlled by the CEO and the owner of the Company. The term of the lease is for an initial five years, plus one five year renewal option, with rent payable at \$13,450 per month.