

DELIC HOLDINGS CORP.
Condensed Consolidated Interim Financial Statements
(Unaudited – expressed in US dollars)

As at and for the nine months ended September 30, 2022

NOTICE OF NO AUDITOR REVIEW

OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

DELIC HOLDINGS CORP.
Condensed Consolidated Interim Statements of Financial Position
As At
(Unaudited - Expressed in US dollars)

AS AT	Note	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 391,774	\$ 2,402,993
Accounts receivable		475,935	305,577
Prepaid expenses		112,786	74,185
		980,495	2,782,755
Deposits		80,470	155,769
Fixed assets	6	143,977	144,497
Right-of-use assets	5	1,906,832	1,420,349
Intangible asset	3,4	4,226,765	4,567,490
Goodwill	3,4	5,764,586	5,764,586
Total assets		\$ 13,103,125	\$ 14,835,446
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 891,598	\$ 918,632
Deferred revenue		3,149	79,056
Lease liability – current	5	475,084	310,512
Contingent liability	3	1,083,383	1,159,586
		2,453,214	2,467,786
Lease liability - long term	5	1,520,741	1,116,280
Long term debt	7	784,230	434,434
Deferred income tax liability	3	132,266	133,453
Convertible debt	10	868,532	-
Total liabilities		5,758,983	4,151,953
Shareholders' equity			
Share capital	8	20,580,306	20,527,816
Reserves	8	1,324,969	1,167,324
Deficit		(14,553,676)	(11,110,322)
Accumulated other comprehensive income		(7,457)	98,675
Total shareholders' equity		7,344,142	10,683,493
Total liabilities and shareholders' equity		\$ 13,103,125	\$ 14,835,446

Nature and continuance of operations (Note 1)
Commitments (Note 5)

Approved and authorized by the Board of Directors on November 25, 2022:

“*Sashko Despotovski*”

Director

“*Matt Stang*”

Director

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

DELIC HOLDINGS CORP.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in US Dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Sales					
Clinic services		\$ 1,253,324	\$ 115,365	\$ 4,525,474	\$ 214,406
Research revenue		129,357	67,812	389,323	118,061
		1,382,681	183,177	4,914,797	332,467
Operating expenses					
Advertising and promotion		\$ 110,887	\$ 888,381	\$ 406,871	\$ 1,725,758
Bad debt		7,854	-	130,783	-
Contractors		31,245	130,484	115,226	263,480
Depreciation	4,5,6	230,987	36,980	802,267	38,494
Event management		-	-	5,000	-
General and administrative		217,382	56,478	937,240	85,916
Insurance		101,886	-	415,774	-
Management and consulting	9	49,620	294,123	359,391	616,012
Professional fees		56,834	404,106	652,504	687,463
Regulatory fees		7,696	9,046	33,203	41,198
Salaries and wages	9	1,410,324	246,618	4,228,312	285,408
Share-based payments	8,9	89,743	118,024	209,243	636,530
Website development		(950)	29,000	55,210	73,014
Loss before other items		\$ (930,827)	\$ (2,030,063)	\$ (3,436,227)	\$ (4,120,806)
Other items					
Other income		(33,817)	46,524	(111,029)	49,485
Loss on disposition of capital assets		(52,610)	-	(52,610)	-
Foreign exchange loss		213,601	(242,453)	156,512	(338,281)
Loss before taxes		\$ (803,653)	\$ (2,225,992)	\$ (3,443,354)	\$ (4,409,602)
Income recovery expense		-	(42,178)	-	(3,203)
Net loss		\$ (803,653)	\$ (2,268,170)	\$ (3,443,354)	\$ (4,412,805)
Other comprehensive loss					
Item that will not be reclassified to profit or loss					
Foreign exchange translation adjustment		(106,132)	8,422	(106,132)	280,504
Comprehensive loss		\$ (909,785)	\$ (2,259,748)	\$ (3,549,486)	\$ (4,132,301)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.10)
Weighted average number of common shares outstanding		156,314,835	60,125,441	156,314,835	45,843,354

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

DELIC HOLDINGS CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Expressed in US Dollars)

	Note	Share Capital			Reserves	Deficit	Accumulated other comprehensive income	Total
		Subordinated voting common shares	Multiple voting common shares	Share capital				
Balance, December 31, 2020		38,115,450	170,783	\$ 4,207,036	\$ 87,143	\$ (2,247,669)	\$ 69,844	\$ 2,116,354
Shares issued for private placement	8	20,441,189	-	8,265,525	-	-	-	8,265,525
Share issuance costs	8	-	-	(945,332)	379,248	-	-	(566,084)
Shares issued for services	8	150,000	-	71,058	-	-	-	71,058
Shares issued for acquisition - Delic Labs	8	10,000,000	-	2,484,900	-	-	-	2,484,900
Shares issued for acquisition – KIC	8	-	89,130	2,089,354	-	-	-	2,089,354
Shares issued on acquisition - Homestead	8	108,887	-	45,564	-	-	-	45,564
Exercise of stock options	8	50,000	-	5,735	(2,455)	-	-	3,280
Share-based payments	8	-	-	-	555,372	-	-	555,372
Net loss		-	-	-	-	(4,412,805)	280,504	(4,132,301)
Balance, September 30, 2021		68,865,526	259,913	16,223,840	1,019,308	(6,660,474)	350,348	10,933,022
Balance, December 31, 2021		75,477,623	501,172	20,527,816	1,167,324	(11,110,322)	98,675	10,683,493
Shares issued on exercise of pre-funded warrants	8	11,300,000	-	892	-	-	-	892
Shares issued for services	8	1,250,000	-	51,598	-	-	-	51,598
Share-based payments	8	-	-	-	157,645	-	-	157,645
Net loss		-	-	-	-	(3,443,354)	(106,132)	(3,549,486)
Balance, September 30, 2022		88,027,623	501,172	\$ 20,580,306	\$ 1,324,969	\$ (14,553,676)	\$ (7,457)	\$ 7,344,142

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

DELIC HOLDINGS CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in US Dollars)

	Nine months ended	
	September 30, 2022	September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,443,354)	\$ (4,412,805)
Bad debt	130,783	-
Depreciation	802,267	-
Foreign exchange	(171,155)	-
Loss on disposition of capital assets	52,610	-
Share-based payments	209,243	588,696
Accrued interest income	-	3,203
Changes in non-cash working capital items:		
Accounts receivable	(301,141)	231,276
Prepaid expenses	(38,601)	(88,902)
Deposits	75,299	-
Accounts payable and accrued liabilities	(27,034)	272,915
Deferred revenue	(75,907)	67,281
Taxes payable	-	(82,487)
Cash used in operating activities	(2,786,990)	(3,420,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease payments made	(413,240)	-
Purchase of property and equipment	(30,209)	(7,242)
Cash acquired on purchase of Delic Labs	-	130,566
Cash acquired on purchase of KIC	-	98,515
Cash provided by (used in) investing activities	(443,449)	221,839
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from loan	349,796	100,938
Proceeds received from convertible debt	868,532	-
Proceeds received from private placement, net	-	7,775,785
Proceeds received from exercise of pre-funded warrants	892	-
Cash provided by financing activities	1,219,220	7,876,723
Foreign exchange effect on cash	-	236,963
Change in cash during the period	(2,011,219)	4,914,702
Cash, beginning of period	2,402,993	2,082,206
Cash, end of period	\$ 391,774	\$ 6,996,908

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Delic Holdings Corp. (the "Company") owns and operates a self-sustaining umbrella of businesses in the psychedelic ecosystem consisting of media, science and health. The Company's registered records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6V 2Z7 with operations in Canada and the USA.

These condensed consolidated interim 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 has a cumulative deficit of \$14,553,676 and negative cash flow from operations of \$2,786,990. 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 will 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 condensed consolidated interim 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 condensed consolidated interim financial statements, then adjustments would be necessary to reflect these condensed consolidated interim financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's activities. The extent of the impact of this outbreak and related containment measures on the Company's activities cannot be reliably estimated at the date of approval of these condensed consolidated interim financial statements.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's audited consolidated financial statements for the year ended December 31, 2021. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 21, 2022.

DELIC HOLDINGS CORP.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2022
(Unaudited - Expressed in US Dollars)

a. Basis of consolidation

These condensed consolidated interim financial statements have been prepared on a consolidated basis and include the accounts of the Company and the following subsidiaries:

Entity	Registered	Control
Delic Corp.	Delaware	100%
Delic Labs Inc.	Canada	100%
Ketamine Infusion Centers, LLC ("KIC")	Arizona	100%
Ketamine Wellness Centers, LLC ("KWC")	Arizona	100%

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions have been eliminated.

The Company has entered into agreements which consist of a Management Services Agreement ("MSA"), which provides for various administrative and management services to be provided by the Company to KIC and KWC.

The term of the MSA is three years with automatic one year renewal options, subject to termination by the Company in certain specified circumstances. The Company has the right to receive income as ongoing management fee in an amount that represents the net income of the operations of KIC and KWC. The Company is the sole and exclusive provider of all non-medical business management, information management, marketing, support and personnel, equipment and supplies as are reasonably necessary for the day-to-day administration, operation and non-medical management of the KIC and KWC. The Company directs and trains KIC and KWC staff in the use of its proprietary psychotherapy protocols and establishes the guidelines for the employment and compensation of the physicians and other employees of KIC and KWC. KIC and KWC are branded as a Ketamine Wellness Centers clinic using its marketing collateral and logo.

Under the terms of the of the MSA the Company has the right to designate a successor shareholder in the event of a termination event. The outstanding voting equity instruments of KIC and KWC are owned by successor shareholders appointed by KIC and KWC or other shareholder who are also subject to the terms of the MSA.

Based upon the provisions of the MSA agreements, the Company determined that KIC and KWC are controlled by the Company. The contractual arrangement to provide management services allows the Company to direct the economic activities that most significantly affect KIC and KWC. Accordingly, the Company has consolidated the accounts of KIC and KWC in accordance with IFRS 10 Consolidated Financial Statements. Furthermore, as a direct result of nominal initial equity contributions by the physicians, and the provisions of the MSA agreements described above, the interests held by non-controlling interest holders lack economic substance and do not provide them with the ability to participate in the residual profits or losses generated by KIC and KWC. Therefore, all income and expenses of KIC and KWC are allocated to the Company's shareholders.

b. Functional and presentation currency

These condensed consolidated interim financial statements are presented in US dollars, which is the functional currency of Delic Corp., Ketamine Infusion Centers, LLC, and Ketamine Wellness Centers, LLC. The functional currency of the Company and Delic Labs Inc. is the Canadian dollar.

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Foreign currency transactions are translated into the functional currency at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities in foreign currencies are translated using the period end foreign exchange rate. Nonmonetary assets and liabilities in foreign currencies are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in profit and loss. The results and financial position of a subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities are translated at the closing rate at the reporting date;
- ii. Income and expenses for each income statement are translated at average exchange rates for the period; and
- iii. All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in a foreign operation are taken to accumulated other comprehensive loss. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

c. Significant judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Revenue recognition

The preparation of the condensed consolidated interim financial statements requires management to make judgments regarding revenue.

Going concern

The preparation of the condensed consolidated interim financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in note 1.

Valuation of intangibles and goodwill

The impairment test for CGUs to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculations are based on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rates. The Company exercises significant judgement in determining CGUs and indicators of impairment

The following are key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities:

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based payments

Share-based payments and fair value adjustment to contingent liability are subject to estimation of the value of the award and warrants at the date of grant and measurement date using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Valuation of intangibles and goodwill

The Company uses significant estimates for inputs used in estimating the recoverable amounts of intangible assets and cash generating units in impairment calculations.

3. ACQUISITIONS

Acquisition of Delic Labs Inc.

On May 27, 2021, the Company acquired all of the issued and outstanding shares in the capital of Delic Labs Inc. - formerly Complex Biotech Discovery Ventures Ltd. ("Delic Labs"). The purchase price was satisfied through the issuance of 10,000,000 SVS in the capital of the Company (the "Consideration Shares"). As per the terms of the acquisition agreement (the "Agreement"), the Consideration Shares were issued at a price equal in value to CAD\$7,000,000 (the "Purchase Price") issued at a price per share equal to the higher of: (a) the ten trading day volume weighted average trading price ("VWAP") of the Consideration Shares on the Canadian Securities Exchange (the "CSE") immediately prior to the date of the Agreement, and (b) the maximum discount under the policies of the CSE applicable to the closing price of the Consideration Shares on the CSE on the trading day immediately prior to the closing date. However, the market price of the Company's SVS on the date of issuance was CAD\$0.30 per SVS. Accordingly, the Consideration Shares were valued at CAD\$3,000,000. The Consideration Shares issued to the sellers of Delic Labs are subject to certain contractual hold periods. In addition, each of the sellers of Delic Labs has entered into voting support agreements with a two-year term, pursuant to which they agreed to vote their Consideration Shares as directed by the board of directors of the Company, subject to certain exceptions.

Management of Delic Labs will be eligible to earn additional consideration upon reaching certain milestones. Contingent consideration consists of: (a) \$500,000 to be issued on the earlier of (i) the date Section 56 Exemption is renewed or a new authorization is issued by Health Canada or (ii) the date Delic Labs application for a dealer's

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license from Health Canada is received; (b) \$1,250,000 to be issued if Delic Labs achieves gross revenue equal to at least \$1,200,000 in the first 12 months following closing of the transaction; and (c) \$1,250,000 to be issued if Delic Labs achieves gross revenue equal to at least \$3,600,000 in the first 24 months following closing of the transaction (each such event, a "Milestone"). Such additional consideration is satisfied by the Company's issuance of additional consideration shares at a price per share equal to the ten (10) trading day VWAP of the consideration shares on the CSE on the trading day prior to the date the Milestone is reached. As the achieving the milestones was dependent on employment, the Company treated the additional issuances of shares as stock-based compensation. During the year ended December 31, 2021, the Company issued 2,350,693 SVS common shares with a fair value of \$309,516 to the management of Delic Labs.

In determining that the Company was the acquirer, the Company considered the guidance in IFRS 3. The Company considered which party transferred the assets, the relative voting rights of the resulting entity, the presence of any significant minority shareholders, the composition of both the governing body and senior management of the resulting issuer, the terms of exchange of equity interests, and which combining entity's relative size was greatest.

The accounting for this transaction resulted in the following:

As Delic Labs was considered to be the acquiree for accounting purposes, its assets and liabilities are included in the condensed consolidated interim financial statements at their fair value as of the acquisition date. Management has determined that the acquisition was a business combination and accordingly recorded the fair value of the assets acquired and liability assumed as follows:

Share consideration (Note 8)	\$	CAD	\$	USD
		3,000,000		2,484,900
Cash		157,853		130,388
Amounts receivable		429,166		358,045
Prepaid expenses		14,344		11,881
Equipment		99,459		82,382
Customer relationships		98,000		81,173
Licenses		2,456,000		2,034,305
Developed technology		50,000		41,415
Goodwill		858,596		711,175
Accounts payable, accrued liabilities and other		(291,728)		(230,879)
Deferred revenue		(77,610)		(77,610)
Deferred income tax liability		(703,080)		(582,000)
Long-term debt		(91,000)		(75,375)
Net assets acquired	\$	3,000,000	\$	2,484,900

The resulting goodwill represents the growth potential of Delic Labs and it is not deductible for tax purposes.

Acquisition of Ketamine Infusion Centres LLC

On June 30, 2021, the Company acquired all of the issued and outstanding securities of Ketamine Infusion Centers LLC ("KIC") from its members for a purchase price of \$2,684,610 (the "Purchase Price") paid as follows: (i) \$2,089,354 in consideration shares issued on the closing date representing 89,130 MVS of the Company (the "Closing Date Payment"); and (ii) \$800,000 in consideration shares to be issued on the date KIC's Bakersfield, California clinic achieves a net profit in three consecutive months in the twelve months following the closing date, while achieving minimum revenues of \$125,000 in the same three month period (the "Bakersfield Milestone Payment") plus certain amounts, if any, to be earned by management, pursuant to reaching certain milestones. The Purchase Price was satisfied through the issuance of the number of consideration shares equal in value to the Closing Date Payment amount, issued at a price per share equal to the ten (10) trading day VWAP of such consideration shares on the CSE on the trading day immediately prior to the closing date (representing a price of CDN \$0.3368 per share).

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Management of KIC will be eligible to earn additional consideration upon reaching certain milestones. Contingent consideration consists of \$800,000 in consideration shares to be issued on the date KIC's Bakersfield, California clinic achieves a net profit in three consecutive months in the twelve months following the closing date, while achieving minimum revenues of \$125,000 in the same three-month period. The contingent consideration was assigned a value of \$399,082.

In determining that the Company was the acquirer, the Company considered the guidance in IFRS 3. The Company considered which party transferred the assets, the relative voting rights of the resulting entity, the presence of any significant minority shareholders, the composition of both the governing body and senior management of the resulting issuer, the terms of exchange of equity interests, and which combining entity's relative size was greatest.

The accounting for this transaction resulted in the following:

As KIC was considered to be the acquiree for accounting purposes, its assets and liabilities are included in the condensed consolidated interim financial statements at their fair value as of the acquisition date. Management has determined that the acquisition was a business combination and accordingly recorded the fair value of the assets acquired and liability assumed as follows:

Share consideration (Note 8)	\$	2,089,354
Contingent consideration		399,082
		2,488,436
Cash		98,516
Amounts receivable		142,933
Deposits		1,744
Right of use assets		39,301
Customer relationships		482,000
Brand		140,000
Goodwill		1,956,719
Accounts payable and accrued liabilities		(171,116)
Lease liabilities		(45,661)
Deferred income tax		(156,000)
Net assets acquired	\$	2,488,436

The resulting goodwill represents the growth potential of KIC and are not deductible for tax purposes.

During the year ended December 31, 2021, the Company completed an assessment of the likelihood of the payment of the contingent consideration based on a scenario-based valuation approach and determined that due to circumstances that occurred after the acquisition date, the expected outcome of achieving the milestones became very low and as a result adjusted the contingent consideration to \$nil.

Acquisition of Ketamine Wellness Centers LLC

On November 4, 2021, the Company acquired all of the issued and outstanding securities of Ketamine Wellness Centres LLC ("KWC") from its members for a purchase price of \$10,000,000 (the "Purchase Price"). The Company will issue MVS in the capital of the Company ("Consideration Shares") to the members of KWC (the "Members"), having an aggregate value of \$5,000,000, less a holdback equal to \$1,000,000, at a price per Consideration Share of \$0.1658 VWAP of the Consideration Shares on the CSE as of November 3, 2021. The Members have agreed that any Consideration 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. The Company further satisfied the purchase price by paying to the Members, an amount equal to USD\$5,000,000 in cash consideration with approximately \$3,293,933 paid on the closing date, \$296,541 to be paid on forgiveness of a loan to KWC from the Health Resources and Services Administration, \$750,000 to be paid on the date that is 12 months following the closing date, and the final

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\$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 Consideration Shares upon each new clinic opened by KWC that posts three consecutive months of profitability and minimum revenue of \$135,000, during those three months, such additional Consideration Shares to have an aggregate value of \$100,000 per clinic opening, based on a price per share equal to the 10 trading day VWAP of the Consideration Shares on the Exchange immediately prior to the date such milestone is achieved. The milestones are subject to an aggregate cap of 30 new clinic milestones or \$3,000,000 in additional Consideration Shares.

In determining that the Company was the acquirer, the Company considered the guidance in IFRS 3. The Company considered which party transferred the assets, the relative voting rights of the resulting entity, the presence of any significant minority shareholders, the composition of both the governing body and senior management of the resulting issuer, the terms of exchange of equity interests, and which combining entity's relative size was greatest.

The accounting for this transaction resulted in the following:

As KWC was considered to be the acquiree for accounting purposes, its assets and liabilities are included in the condensed consolidated interim financial statements at their fair value as of the acquisition date. Management has determined that the acquisition was a business combination and accordingly recorded the fair value of the assets acquired and liability assumed as follows:

Share consideration (Note 8)	\$	4,067,136
Cash consideration		3,293,934
Consideration payable		1,159,586
		8,520,656
Cash		91,452
Amounts receivable		134,872
Deposits		7,111
Security deposit		58,470
Right-of-use assets		1,451,045
Fixed assets		60,050
Customer relationships		1,617,000
Brand		2,140,000
Non- compete agreements		79,000
Goodwill		5,121,501
Accounts payable and accrued liabilities		(392,259)
Lease liabilities		(1,451,045)
Long-term debt		(396,541)
Net assets acquired	\$	8,520,656

The resulting goodwill represents the growth potential of KWC and will be deductible for tax purposes.

DELIC HOLDINGS CORP.
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4. INTANGIBLE ASSETS AND GOODWILL

Intangibles

	Customer relationships	Licenses	Brand	Developed technology and other	Non-compete agreements	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2020	-	-	-	-	-	-
Additions	2,180,173	2,033,734	2,280,000	108,787	79,000	6,681,694
Balance, December 31, 2021 and September 30, 2022	2,180,173	2,033,734	2,280,000	108,787	79,000	6,681,694
Accumulated amortization and impairment						
Balance, December 31, 2020	-	-	-	-	-	-
Amortization	33,000	-	14,000	8,000	-	55,000
Impairment	300,860	1,592,010	140,000	26,334	-	2,059,204
Balance, December 31, 2021	333,860	1,592,010	154,000	34,334	-	2,114,204
Amortization	163,513	-	171,000	6,212	-	340,725
Impairment	-	-	-	-	-	-
Balance, September 30, 2022	497,373	1,592,010	325,000	40,546	-	2,454,929
Carrying value						
Balance, December 31, 2021	1,846,313	441,724	2,126,000	74,453	79,000	4,567,490
Balance, September 30, 2022	1,682,800	441,724	1,955,000	68,241	79,000	4,226,765

Goodwill

	\$
Cost	
Balance, December 31, 2020	-
Additions (Note 3)	7,409,133
Foreign exchange movement	(1,000)
Balance, December 31, 2021, and September 30, 2022	7,788,395
Accumulated impairment	
Balance, December 31, 2020	-
Impairment	2,023,809
Balance, December 31, 2021, and September 30, 2022	2,023,809
Carrying value	
Balance, December 31, 2020	-
Balance, December 31, 2021, and September 30, 2022	5,764,586

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Property Leases
	\$
Cost:	
At December 31, 2020	-
Additions	1,454,408
At December 31, 2021	1,454,408
Additions	1,180,812
Deductions	(314,160)
At September 30, 2022	2,321,060
Depreciation:	
At December 31, 2020	-
Charge for the year	34,060
At December 31, 2021	34,060
Charge for the period	431,623
Deductions	(51,455)
At September 30, 2022	414,228
Net Book Value:	
At December 31, 2021	1,420,349
At September 30, 2022	1,906,832
Lease liabilities at December 31, 2020	-
Additions	1,496,706
Lease payments made and interest expense	(69,914)
	1,426,792
Less: current portion	(310,512)
At December 31, 2021	1,116,280
Lease liabilities at December 31, 2021	1,426,792
Additions	1,191,819
Lease payments made and interest expense	(413,240)
Adjustment on termination of lease	(209,546)
	1,995,825
Less: current portion	(475,084)
At September 30, 2022	1,520,741

Depreciation of right-of-use assets is calculated using the straight-line method of the remaining lease term.

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As at September 30, 2022, the minimum lease payments for the lease liabilities are as follows:

	\$
Year ending:	
2022	509,044
2023	474,239
2024	441,322
2025	399,571
2026	270,383
2027-2032	28,089
	2,119,648
Less: Interest expense on lease liabilities	(336,611)
Total present value of minimum lease payments	1,783,037

When measuring lease obligations, the Company's incremental borrowing rate applied was 8% per annum.

6. FIXED ASSETS

	Office equipment	Lab equipment	Clinic equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance, December 31, 2020	-	-	-	-	-
Additions	8,291	80,033	56,386	13,172	157,882
Balance, December 31, 2021	8,291	80,033	56,386	13,172	157,882
Additions	2,067	-	11,592	16,550	30,209
Deductions	-	(4,995)	-	(2,809)	(7,804)
Balance, September 30, 2022	10,358	80,033	67,978	26,913	188,091
Accumulated depreciation					
Balance, December 31, 2020	-	-	-	-	-
Additions	714	9,925	1,723	1,023	13,385
Balance, December 31, 2021	714	9,925	1,723	1,023	13,385
Additions	2,895	7,815	8,662	10,547	29,919
Deductions	-	(1,999)	-	-	(1,999)
Balance, September 30, 2022	3,609	15,741	10,385	11,570	41,305
Carrying value					
Balance, December 31, 2021	7,577	70,108	54,663	12,149	144,497
Balance, September 30, 2022	6,749	64,292	57,593	15,343	143,977

7. LOAN

On May 6, 2020, the Company's subsidiary, Delic Labs, received a CAD\$60,000 Canada Emergency Business Account ("CEBA") loan. The loan was provided by the Government of Canada to provide capital to organizations to support them through the economic challenges presented by the COVID-19 pandemic. The loan is unsecured and interest free to December 31, 2023. If there is a balance outstanding after December 31, 2023, the remaining outstanding amount will be converted into a two-year interest free loan effective January 1, 2021. If CAD\$40,000 of the loan is repaid by December 31, 2023, CAD\$20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, the full CAD\$60,000 loan will be converted to loan repayable over two years with a 5% annual interest rate. As at September 30, 2022, the balance outstanding for CEBA loan is CAD\$40,000.

During the year ended December 31, 2020, the Company's subsidiary, KWC, received a \$200,000 Covid-19 Economic Injury Disaster Loan through the U.S. Small Business Administration. The loan bears interest at a rate

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of 3.75% per annum and accrues only on funds actually advanced from the date of each advance. Payments on the loan are deferred for one year following receipt of the loan at which time minimum monthly payments of \$731 are required. The balance of principal and interest on the loan is payable 30 years from receipt. Loan proceeds are to be used towards funding working capital and normal operating expenses. The loan is secured by general business assets of the Company as set out in the Uniform Commercial Code. The fair value of the loan was estimated to be \$100,000 at the time of acquisition and will be accreted up to its face value over the term of the loan.

During the year ended December 31, 2021, the Company's subsidiary, KWC, received additional funds of \$296,541 under the CARES Act HHS Stimulus Fund. The CARES Act provided funding to eligible healthcare providers to prevent, prepare for and respond to COVID-19. The funds were intended to reimburse healthcare providers for lost income attributable to COVID-19 and for healthcare related expenses. If the funds cannot be expended on allowable expenses or lost revenues attributable to coronavirus by the period of availability that corresponds to the payment received period, KWC will be required to return such funds to the federal government. As at September 30, 2022, the KWC have not used the funds towards allowable expenses.

8. SHARE CAPITAL

Authorized share capital

Unlimited number of subordinated voting common shares without par value.
Unlimited number of multiple voting common shares without par value.

For the nine months ended September 30, 2022

During April 2022, 11,300,000 Pre-Funded Warrants were exercised for gross proceeds of \$892.

The Company issued 1,250,000 SVS in exchange for services rendered to the Company at a fair value of \$51,598. The Company recorded the fair value as share-based payments.

For the year ended December 31, 2021

On January 6, 2021, the Company issued 50,000 SVS upon the exercise of 50,000 stock options for gross proceeds of \$3,276. Reserves of \$2,455 was reclassified.

On February 2, 2021, the Company issued 150,000 SVS in exchange for services rendered to the Company at a fair value of \$71,041. The Company recorded the fair value as share-based payments.

On March 11, 2021, the Company issued 108,887 SVS as part of the acquisition of the Homestead assets (Note 5) at a fair value of \$45,523.

On May 26, 2021, the Company issued 10,000,000 SVS as part of the acquisition of Delic Labs (Note 5) at a fair value of \$2,481,390.

On May 26, 2021, the Company completed a non-brokered private placement (the "Offering") of 11,441,189 subscription receipts (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt for gross proceeds of CAD\$3,432,356. Upon completion of the Offering, each Subscription Receipt was converted into one SVS and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable at CAD\$0.30 for a period of 24 months from the date of issuance. The Company paid aggregate finders' fees of CAD\$152,086 in cash and issued finders an aggregate of 706,951 share purchase warrants. The warrants were valued at CAD\$82,063 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected warrant life in years – 2.

On June 30, 2021, the Company issued 89,130 MVS as part of the acquisition of KIC (Note 5) at a fair value of \$2,089,354.

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On September 28, 2021, the Company issued 9,000,000 units of the Company (the "Units") at a price of CAD \$0.285 per Unit and 15,561,404 pre-funded units of the Company (the "Pre-Funded Units") at a price of CAD \$0.2849 for gross proceeds of CAD \$7,000,000. Each Unit is comprised of one SVS and one subordinate voting share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional SVS (a "Warrant Share") at an exercise price of CAD \$0.38 per Warrant Share. Each Pre-Funded Unit is comprised of one pre-funded subordinate voting share purchase warrant (a "Pre-Funded Warrant") and one Warrant. Each Pre-Funded Warrant entitles the holder thereof to purchase one SVS (a "Pre-Funded Warrant Share") at an exercise price of C\$0.0001 per Pre-Funded Warrant Share and shall terminate upon exercise in full of the Pre-Funded Warrants. The Company paid a cash commission of \$560,000.01 (equal to 8.0% of the gross proceeds of the Private Placement) and issued 1,964,912 compensation warrants (the "Agent Warrants"). Each Agent Warrant entitles the holder thereof to purchase one SVS at an exercise price of C\$0.38 per SVS at any time on or prior to September 28, 2026. The Agent Warrants were valued at CAD\$432,281, respectively, using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected warrant life in years – 5.

The value attributed to the Agent Warrants was recorded to share issuance costs.

During October 2021, 4,261,404 Pre-Funded Warrants were exercised for gross proceeds of \$337. On December 1, 2021, the Company issued 2,350,693 SVS as part of an earn-out agreement with management of Delic Labs for reaching certain milestones (Note 3). The SVS were valued at \$306,158.

On December 31, 2021, the Company issued 241,259 MVS as part of the acquisition of KWC (Note 3) at a fair value of \$3,475,588.

Escrow shares

Pursuant to an escrow agreement dated November 16, 2020, 8,161,700 SVS and 137,300 MVS are subject to escrow restrictions. 10% of the escrow shares were released on the reverse acquisition date. The remaining escrow shares will be released at 15% every six months. At September 30, 2022, there were 3,672,765 SVS and 61,785 MVS remain in escrow. The next release date is November 18, 2022.

Stock options

The Company has adopted a 10% rolling Stock Option Plan (the "Plan"). Under the Plan, the Company may grant stock options to directors, officers, employees and consultants of the Company. The terms and conditions of the options are determined by the Board of Directors.

The Company had the following stock options outstanding as at September 30, 2022:

	Number of options	Weighted average exercise price (CAD)
		\$
Balance, December 31, 2020	4,075,000	-
Granted	1,628,887	0.49
Cancelled/expired	(376,667)	0.39
Exercised	(50,000)	0.08
Balance, December 31, 2021	5,277,220	0.32
Granted	4,600,000	0.10
Balance, September 30, 2022	9,877,220	0.22

DELIC HOLDINGS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the nine months ended September 30, 2022**

(Unaudited - Expressed in US Dollars)

Outstanding	Exercisable	Exercise Price (CAD)	Expiry date	Weighted average remaining life (in years)
		\$		
100,000	-	0.25	08-May-23	0.60
3,400,000	3,400,000	0.25	17-Nov-23	1.13
415,000	415,000	0.35	18-Dec-23	1.22
400,000	400,000	0.65	08-Feb-24	1.36
50,000	16,667	0.58	11-Feb-24	1.37
70,000	23,333	0.75	22-Feb-24	1.40
50,000	50,000	0.63	03-Mar-24	1.42
108,887	108,887	0.58	04-Mar-24	1.43
413,333	413,333	0.55	10-Mar-24	1.44
50,000	33,330	0.35	22-Apr-24	1.56
80,000	53,328	0.28	01-Sep-24	1.92
60,000	3,333	0.28	08-Nov-24	2.11
50,000	33,330	0.35	17-Nov-24	2.13
30,000	9,999	0.10	28-Feb-25	2.42
4,600,000	-	0.10	22-Aug-25	2.90
9,877,220	4,960,540			

On November 17, 2020, the Company granted 3,450,000 stock options to officers, directors, and consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The options were valued at CAD\$530,662 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$52,689 (2021 – CAD\$348,357) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On November 24, 2020, the Company granted 150,000 stock options to a consultant of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$23,072 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 5. Of the total value, CAD\$2,332 (2021 – CAD\$15,270) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On December 18, 2020, the Company granted 425,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$91,520 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$8,955 (2021 - CAD\$59,685) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On February 11, 2021, the Company granted 50,000 stock options to a consultant of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$17,843 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$3,676 (2021 - CAD\$11,855) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On February 22, 2021, the Company granted 120,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$55,373 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$11,631 (2021 – CAD\$36,353) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

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On March 3, 2021, the Company granted 50,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$19,381 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$4,296 (2021 – CAD\$12,574) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On March 4, 2021, the Company granted 108,887 stock options as part of the Homestead acquisition (Note 6). The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$38,856 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$8,613 (2021 - CAD\$21,681) has been recorded in intangible assets.

On March 9, 2021, the Company granted 300,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$101,518 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$22,504 (2021 - CAD\$65,682) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On March 9, 2021, the Company granted 50,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$16,920 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$3,674 (2021 - CAD\$10,896) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On April 22, 2021, the Company granted 50,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$11,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$2,974 (2021 - CAD\$5,900) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On September 1, 2021, the Company granted 80,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$13,782 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$6,838 (2021 – CAD\$1,339) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On September 17, 2021, the Company granted 280,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$56,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD\$30,644 (2021 – CAD\$2,472) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On November 8, 2021, the Company granted 10,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$1,400 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, \$915 (2021 - \$Nil) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

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On November 8, 2021, the Company granted 100,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 3, 6 and 9 months anniversary. The stock options were valued at CAD\$10,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 1.5. Of the total value, \$6,469 (2021 - \$Nil) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On November 8, 2021, the Company granted 50,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 3, 6 and 9 months anniversary. The stock options were valued at CAD\$7,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 1.5. Of the total value, \$4,576 (2021 - \$Nil) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On November 17, 2021, the Company granted 50,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$6,500 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, \$3,274 (2021 - \$Nil) has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On February 28, 2022, the Company granted 30,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$1,800 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, \$1,183 has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

On August 11, 2022, the Company granted 4,600,000 stock options to consultants of the Company. The stock options will be vested 1/3 on the 6, 12 and 18 months anniversary. The stock options were valued at CAD\$138,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 3.10%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, \$Nil has been recognized in the condensed consolidated interim statements of loss and comprehensive loss.

Warrants

The Company had the following warrants outstanding as at September 30, 2022:

	Number of warrants	Weighted average exercise price (CAD)
		\$
Balance, December 31, 2020	273,000	0.20
Granted	38,474,457	0.35
Exercised	(4,261,404)	0.00
Balance, December 31, 2021	34,486,053	0.26
Granted	20,405,252	0.10
Expired	(273,000)	0.20
Exercised	(11,300,000)	0.00
Balance, September 30, 2022	43,318,305	0.26

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Outstanding	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
	\$		
306,951	0.30	13-May-23	0.62
11,641,189	0.40	26-May-23	0.65
20,405,252	0.10	27-Jul-24	1.82
10,964,913	0.38	28-Sep-26	4.00
43,318,305			

The Company issued 20,405,252 warrants in connection with the convertible debt financing (Note 10). The warrants are exercisable at \$0.10 per warrant for a period of 2 years from the date of closing. The Company also issued 107,692 finder's warrants exercisable at \$0.12 per warrant. The warrants were valued at CAD\$1,748 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 2.47%; volatility – 100%; expected dividend yield – 0.0%; expected warrant life in years – 2.

9. RELATED PARTY TRANSACTIONS

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the board of directors, the Chief Executive Officer and the Chief Financial Officer. During the six months ended September 30, 2022 and 2021, key management compensation included the following:

	September 30, 2022	September 30, 2021
	\$	\$
Management and director compensation	244,795	53,686
Share-based payments	29,522	80,532
Total	274,316	134,218

10. CONVERTIBLE DEBT

On July 27, 2022 (the "Closing Date"), the Company completed the sale of 1,240 units (the "Units") at a price of \$1,000 per Unit for aggregate gross proceeds of \$1,240,000. Each Unit consists of one 4.0% senior secured, \$1,064 principal amount convertible debenture (a "Debenture") and 16,369 share purchase warrants ("Warrants"). The principal amount and accrued but unpaid interest on each Debenture is convertible at the option of the holder into common shares of the Company ("Common Shares") at any time following the Closing Date at a price of \$0.065 per Common Share. The Debentures will mature 24 months from the Closing Date (the "Maturity Date") and will bear interest at a rate of 4% per annum, payable quarterly on the last business day of each calendar quarter. At the Maturity Date, all principal amounts outstanding together with any unpaid interest must be repaid.

The Debentures are represented by certificates and secured by security interests over substantially all of the Company's assets, similar security interests over the assets of its direct subsidiaries, and pledges of the shares of each of its direct and indirect subsidiaries. Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.10 at any time up to 2 years following the Closing Date. The Company has paid finder's fees with respect to certain of the issuances of Units. Finders could elect to receive: (i) a number of units ("Finder's Units") consisting of one Common Share and one Finder's Warrant equal to 7% of the number of Units sold to purchasers found by such finder, or (ii) 4% of the gross proceeds from the sale of Units to purchasers found by such finder, and a number of Finder's Warrants equal to 7% of the number of Units sold to such purchasers. Each Finder's Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.12 at any time up to 2 years following the Closing Date. The Company paid \$46,500 in cash, and issued 107,692 Finder's Warrants, to finders.

11. CAPITAL MANAGEMENT

As at September 30, 2022, the Company's capital is composed of shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as items included in shareholders' equity, consisting of the issued common shares. The capital structure of the Company is managed to provide sufficient funding for operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period ended September 30, 2022. The Company is not subject to external capital requirements.

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at September 30, 2022, the Company's financial instruments consisted of cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, the CEBA loan, long term debt, and convertible debt. Cash is measured at fair value in accordance with Level 1. The fair value of accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

Financial risks

The Company's risk exposures arising from financial instruments and the impact on the Company's financial statements are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's cash are deposited with high credit rated banks, therefore, the credit risk is limited.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at September 30, 2022, the Company has a working capital deficit of \$1,472,719 (2021 – surplus of \$314,969) and has long term liabilities of \$3,305,769 (2021 - \$1,684,167). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing

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liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2022, the Company had cash of \$391,774 (2021 - \$2,402,993) and accounts payable and accrued liabilities of \$891,598 (2021 - \$918,632).

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital.

The Company's presentation currency is the US dollar and major purchases are transacted in US dollars. Financing incurred to date has been completed in Canadian dollars. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Management does not believe the Company is exposed to significant interest or other price risk.

13. SEGMENTED INFORMATION

The Company owns and operates a self-sustaining umbrella of businesses in the psychedelic ecosystem consisting of media, science, and health. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

During the period ended September 30, 2022, the Company operates in the following reportable segments:

	Media	Sciences	Health	Corporate	Total
	\$	\$	\$	\$	\$
Sales					
U.S.	5,930	-	4,525,474	-	4,531,404
Canada	-	383,393	-	-	383,393
Total sales	5,930	383,393	4,525,474	-	4,914,797
Expenses					
U.S.	597,964	-	-	-	597,964
Canada	-	602,531	5,862,070	1,288,459	7,753,060
Total expenses	597,964	602,531	5,862,070	1,288,459	8,351,024
Net Loss	(592,034)	(219,139)	(1,336,596)	(1,295,586)	(3,443,354)
Assets					
U.S.	58,495	-	2,586,688	-	2,645,184
Canada	-	137,216	-	10,320,725	10,457,941
Total assets	58,495	137,216	2,586,688	10,320,725	13,103,125
Liabilities					
U.S.	15,443	-	3,181,797	-	3,197,240
Canada	-	184,850	-	2,376,893	2,561,743
Total liabilities	15,443	184,850	3,181,797	2,376,893	5,758,983