DELIC HOLDINGS CORP. (formerly DELIC HOLDINGS INC.)
Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2021 and 2020

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

AS AT	Note		September 30, 2021		December 31, 2020
ASSETS					
Current					
Cash		$	6,996,907	$	2,082,206
Accounts receivable			393,774		24,792
Prepaid expenses			185,220		82,709
			7,575,901		2,189,707
Intangible asset	4,5,6		5,214,982		3
Right-of-use assets	7		35,738		-
Goodwill	4,5,6		1,537,299		-
Fixed assets	8		84,024		-
Total assets		$	14,447,944	$	2,189,710
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities		$	564,188	$	73,355
Deferred revenue			144,782		-
Lease liability – current	7		37,804		-
Contingent liabilities	4,5		1,100,774		-
			1,847,548		73,355
Deferred income tax liability	4,5		1,320,136		-
Lease liability - long term	7		49,225		-
Long term debt			150,566		
Warrant liability	10		2,687,002		-
Total liabilities			6,054,477		73,355
Shareholders' equity					
Share capital	10		13,684,285		4,207,037
Reserves	10		1,019,308		87,143
Deficit			(6,660,474)		(2,247,669)
Accumulated other comprehensive income			350,348		69,844
Total shareholders' equity			8,393,467		2,116,355
Total liabilities and shareholders' equity		$	14,447,944	$	2,189,710

Nature and continuance of operations (Note 1)
Commitments (Note 4 and 5)
Subsequent events (Note 15)
Approved and authorized by the Board of Directors on November 26, 2021:

"Sashko Despotovski"
Director

"Matt Stang"
Director

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

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

	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Gross sales		$ 1,045,653	$ -	$ 1,194,943	$ -
Sales provision		(862,476)	-	(862,476)	-
Net sales		183,177	-	332,467	-
Operating expenses					
Advertising and promotion		$ 888,381	$ 22,198	$ 1,725,758	$ 111,597
Contractors		130,484	-	263,480	-
Depreciation	6,7,8	36,980	-	38,494	-
Management and consulting	11	294,123	55,978	616,012	105,221
Office		56,478	7,178	85,916	20,092
Professional fees		404,106	10,435	687,463	46,923
Regulatory fees		9,046	-	41,198	-
Salaries and wages		246,618	-	285,408	-
Share-based payments	6,10	118,024	29,888	636,530	29,888
Website development		29,000	15,799	73,014	40,333
Loss before other items		$ (2,030,061)	$ (141,476)	$ (4,120,804)	$ (354,054)
Other items					
Other income		46,524	(912)	49,485	68,492
Gain on debt conversion		-	309,006	-	309,006
Foreign exchange loss		(242,453)	-	(338,283)	-
Loss before taxes		$ (2,225,990)	$ 166,618	$ (4,409,601)	$ 23,444
Income tax expense		(42,178)	-	(3,203)	-
Net loss		$ (2,268,167)	$ 166,618	$ (4,412,805)	$ 23,444
Other comprehensive loss					
Item that will not be reclassified to profit or loss					
Foreign exchange translation adjustment		8,422	-	280,504	-
Comprehensive loss		$ (2,259,745)	$ 166,618	$ (4,132,300)	$ 23,444
Basic and diluted loss per common share		$ (0.04)	$ 0.01	$ (0.10)	$ 0.00
Weighted average number of common shares outstanding		60,125,441	30,000,000	45,843,354	30,000,000

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

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

	Note	Share Capital: Pre-reverse takeover common shares	Share Capital: Subordinated voting common shares	Share Capital: Multiple voting common shares	Share capital	Reserves	Deficit	Accumulated other comprehensive income	Total
Balance, December 31, 2019		10,000,000	-	-	$ 100	$ -	$ (210,143)	$ -	(210,043)
Shares issued on conversion of convertible loans		7,460,000	-	-	140,994	-	-	-	140,994
Shares issued upon private placement		12,540,000	-	-	237,006	-	-	-	237,006
Share-based payments		-	-	-	-	29,888	-	-	29,888
Net loss for the period		-	-	-	-	-	23,444	-	23,444
Balance, September 30, 2020		30,000,000	-	-	378,100	29,888	(186,699)	-	221,289
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	10	-	20,441,189	-	8,265,525	-	-	-	8,265,525
Share issuance costs	10	-	-	-	(945,332)	379,248	-	-	(566,084)
Shares issued for services	10	-	150,000	-	71,058	-	-	-	71,058
Shares issued on acquisition - Delic Labs	4	-	10,000,000	-	2,481,390	-	-	-	2,481,390
Shares issued on acquisition – KIC	5	-	-	89,130	2,240,312	-	-	-	2,240,312
Shares issued on acquisition – Homestead	6	-	108,887	-	45,564	-	-	-	45,564
Exercise of stock options	10	-	50,000	-	5,735	(2,455)	-	-	3,280
Share-based payments	10	-	-	-	-	555,372	-	-	555,372
Warrant liability		-	-	-	(2,687,002)	-	-	-	(2,687,002)
Net loss for the period		-	-	-	-	-	(4,412,805)	280,504	(4,132,301)
Balance, September 30, 2021		-	68,865,526	259,913	$ 13,684,285	$ 1,019,308	$ (6,660,474)	$ 350,348	8,393,467

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

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

	Nine months ended	
	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (4,142,805)	$ 23,444
Accrued interest income	3,203	-
Share-based payments	588,696	-
Changes in non-cash working capital items:		
Accounts receivable	231,276	(11,272)
Prepaid expenses	(88,902)	
Accounts payable and accrued liabilities	272,915	(33,015)
Deferred revenue	67,281	
Taxes payable	(82,487)	
Cash used in operating activities	(3,420,823)	(20,843)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired on purchase of Delic Labs	130,566	-
Cash acquired on purchase of KIC	98,515	-
Purchase of property and equipment	(7,242)	-
Cash provided by investing activities	221,839	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from private placement, net	7,775,785	-
Proceeds received from loan	100,938	-
Cash provided by financing activities	7,876,723	-
Foreign exchange effect on cash	236,963	-
Change in cash during the period	4,677,738	(20,843)
Cash, beginning of period	2,082,206	691,298
Cash, end of period	$ 6,996,907	$ 670,455

Non-cash transactions

Shares issued on acquisitions (note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Delic Holdings Corp. (the "Company") (formerly Delic Holdings Inc.) was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on November 17, 2005. The Company owns and operates a self-sustaining umbrella of businesses in the psychedelic ecosystem consisting of media, science, and health.

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 of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The following accounting policy was applied during the period ended September 30, 2021:

<u>Business Combination</u>

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred. Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that can create outputs.

<u>Goodwill</u>

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a Cash Generating Unit ("CGU"), including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

These condensed consolidated interim financial statements have been prepared on a historical cost basis. These condensed interim consolidated financial statements are presented in US dollars, unless noted otherwise, and all financial amounts, other than per-share amounts, are rounded to the nearest dollar.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of September 30, 2021.

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	Holding
Delic Corp.	Delaware	100% owned
Delic Labs Inc.	Canada	100% owned
Ketamine Infusion Centers, LLC	Arizona	100% owned

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

b. Functional and presentation currency

These condensed consolidated interim financial statements are presented in US dollars, which is the functional currency of Delic Corp. The functional currency of the Company is the Canadian dollar.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

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 polices 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.

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 based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is 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.

Estimation uncertainty

The following are key assumptions concerning the future and other 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.

3. REVERSE ACQUISITION

On November 12, 2020, the Company completed a reverse acquisition transaction, whereby the Company acquired all the issued and outstanding shares of Delic Corp. ("Delic") and Eception Ventures Ltd. ("Eception").

Prior to the Transaction, the Company's authorized share capital changed to an unlimited number of subordinated voting common shares ("SVS") and an unlimited number of multiple voting common shares ("MVS"). The nature of SVS and MVS is the same, except that each SVS has one voting right, whereas each MVS has one hundred voting rights. Each common share held by the shareholders of the Company prior to the Transaction was reclassified into one SVS. The Company also restructured its debt and equity securities so that all the convertible loans were converted to SVS.

Pursuant to the Transaction, the Company issued an aggregate of 14,587,700 SVS and 170,783 MVS in exchange for all the issued and outstanding shares of Delic and Eception. For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 *Business Combinations* ("IFRS 3") as the shareholders of Delic obtained control of the Company. However, as the Company did not meet the definition of a business as defined by IFRS 3, the Transaction has been accounted for as a share-based payment transaction in accordance with IFRS *Share-based Payment* whereby Delic is deemed to have issued shares and options in exchange for the net assets of the Company and Eception together with its listing status at the fair value of the consideration deemed received by the Company and Eception's shareholders.

The accounting for this transaction resulted in the following:

(i) The condensed consolidated interim financial statements of the combined entity are issued under the legal parent, Delic Holdings Inc., but are considered a continuation of the financial statements of the legal subsidiary, Delic.

(ii) Since Delic Corp. is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the condensed consolidated interim financial statements at their historical carrying values.

(iii) As part of the completion of the Transaction to facilitate the listing, the original shareholders of the Company retained 5,700,000 SVS of the Company and 150,000 options exercisable at CAD$0.083 expiring on April 29, 2025. The original shareholders of Eception retained 100,000 SVS of the Company and converted the 553,500 warrants into 553,500 SVS. In addition, the founders of Eception were also entitled to 100,000 SVS in this Transaction.

(iv) Since the shares allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, and the Company could not identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of the Company and Eception acquired on closing was expensed in the statement of comprehensive loss for the year ended December 31, 2020 as a listing expense

(Unaudited - Expressed in US Dollars)

The total share-based compensation of the SVS, options and warrants as described above options was as follow:

Issued to:	Securities	Number	Fair value (in CAD$)	Fair value (in US$)
The Company shareholders	SVS	5,700,000	1,140,000	868,680
The Company shareholders	Options	150,000	24,700	18,821
Eception shareholders	SVS	653,500	130,700	99,593
Eception founders	SVS	100,000	20,000	15,240
Total			1,315,400	1,002,334

The fair value of the options was based on an application of the Black Scholes option pricing model using the following weighted average assumptions: a share price of CAD$0.20 per share, a volatility of 100%, an annual risk free interest rate of 0.41%, no dividends, and expected remaining expected lives of 4.5 years.

The total listing expense of $1,108,514 (CAD$1,454,743) was determined as follows:

Fair value of share-based compensation	CAD$	US$
Deemed share issuance	1,290,700	983,513
Options deemed granted	24,700	18,821
Total consideration	1,315,400	1,002,334
Identifiable net liabilities obtained:		
Cash	5,104	3,889
Liabilities assumed	(144,448)	(110,069)
	(139,343)	(106,180)
Listing expense	1,454,743	1,108,514

4. 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. “CBDV”). 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 CBDV are subject to certain contractual hold periods. In addition, each of the sellers of CBDV 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 CBDV 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 CBDV's Section 56 Exemption is renewed or a new authorization is issued by Health Canada or (ii) the date CBDV's application for a dealer's license from Health Canada is received; (b) $1,250,000 to be issued if CBDV 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 CBDV 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 to 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. The contingent consideration was assigned a value of CAD$558,119.

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.

(Unaudited - Expressed in US Dollars)

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:

		CAD		USD
Share consideration (Note 10)	**$**	**3,000,000**	**$**	**2,481,390**
Contingent consideration		**558,119**		**461,637**
		3,558,119		**2,943,026**
Cash		157,853		130,565
Amounts receivable		429,166		354,976
Prepaids		14,344		11,864
Equipment		99,459		82,266
Customer lists		211,000		174,524
Licenses		2,583,000		2,136,476
Developed technology		70,000		57,899
Non-competes		13,000		10,753
Goodwill		1,012,051		837,098
Accounts payable and accrued liabilities		(8,566)		(7,085)
Goods and services tax payable		(20,261)		(16,758)
Income tax payable		(98,978)		(81,868)
Deferred revenue		(93,698)		(77,501)
Deferred income tax liability		(750,250)		(620,554)
Canada Emergency Business Account Loan		(60,000)		(49,628)
Net assets acquired	**$**	**3,558,119**	**$**	**2,943,027**

The resulting goodwill represents the growth potential of CBDV and will not be deductible for tax purposes.

The accounting for this business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

5. ACQUISITION OF KETAMINE INFUSION CENTERS 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 USD$3,040,312 (the "Purchase Price") paid as follows: (i) USD$2,240,312 in consideration shares issued on the closing date representing 89,130 MVS of the Company (the "Closing Date Payment"); and (ii) USD$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 USD$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 $0.3114 per share).

Management of KIC will be eligible to earn additional consideration upon reaching certain milestones. Contingent consideration consists of USD$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 USD$125,000 in the same three-month period. The contingent consideration was assigned a value of $666,667.

(Unaudited - Expressed in US Dollars)

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:

		USD
Share consideration (Note 10)	**$**	**2,240,312**
Contingent consideration		**666,667**
		2,906,979
Cash		98,516
Amounts receivable		245,282
Deposits		1,745
Right of use assets		39,301
Intangible assets		2,800,807
Goodwill		700,201
Accounts payable and accrued liabilities		(194,074)
Lease liabilities		(84,597)
Deferred income tax		(700,201)
Net assets acquired	**$**	**2,906,979**

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

The accounting for this business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(Unaudited - Expressed in US Dollars)

6. INTANGIBLE ASSETS

	Customer lists	Licenses	Non-competes	Developed technology	Intellectual property[1]	Other intangible assets	Goodwill	Total
	$	$	$	$	$	$	$	$
Cost								
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Additions	174,528	2,136,476	10,753	57,899	64,082	2,800,807	1,537,299	6,781,844
Balance, September 30, 2021	**174,528**	**2,136,476**	**10,753**	**57,899**	**64,082**	**2,800,807**	**1,537,299**	**6,781,844**
Accumulated depreciation								
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Depreciation	12,113	-	10,753	6,698	-	-	-	29,563
Balance, September 30, 2021	**12,113**	**-**	**10,753**	**6,698**	**-**	**-**	**-**	**29,563**
Carrying value								
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Balance, September 30, 2021	**162,415**	**2,136,476**	**-**	**51,201**	**64,082**	**2,800,807**	**1,537,299**	**6,752,281**

[1]*Homestead*

The Company executed a definitive asset purchase agreement (the "Agreement") to acquire the brand and intellectual property of Homestead ("Homestead"), a legacy counterculture distributor of psychedelic media and creator of one of the first self-contained mushroom grow kits (the "Transaction").

In consideration for acquisition of the Homestead assets, the Company issued Subordinated voting common shares having an aggregate value of $45,564. The Company also granted 108,887 incentive stock options to David Tatelman, the founder of Homestead, with an exercise price of $0.58, exercisable for a period of 3 years in accordance with the terms of the Company's Incentive Stock Option plan (Note 10).

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Property Leases
Cost:	$
At December 31, 2020	-
Additions	68,965
At September 30, 2021	68,965
Depreciation:	
At December 31, 2020	-
Additions	29,663
Charge for the period	3,564
At September 30, 2021	33,227
Net Book Value:	
At December 31, 2020	-
At September 30, 2021	35,738
Lease liabilities at December 31, 2020	-
Additions	84,597
Lease payments made	(771)
Interest expense on lease liabilities	3,203
	87,029
Less: current portion	37,804
At September 30, 2021	49,225

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

(Unaudited - Expressed in US Dollars)

8. FIXED ASSETS

	Office equipment	Lab equipment	Total
	$	$	$
Cost			
Balance, December 31, 2020	-	-	-
Additions	9,723	104,399	114,122
Balance, September 30, 2021	**9,723**	**104,399**	**114,122**
Accumulated depreciation			
Balance, December 31, 2020	-	-	-
Additions	1,241	23,372	24,614
Depreciation	340	5,145	5,484
Balance, September 30, 2021	**1,581**	**28,517**	**30,098**
Carrying value			
Balance, December 31, 2020	-	-	-
Balance, September 30, 2021	**8,142**	**75,882**	**84,024**

9. 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, 2022. If there is a balance outstanding after December 31, 2020, 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, 2022, CAD$20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2022, the full CAD$60,000 loan will be converted to loan repayable over three years with a 5% annual interest rate.

10. 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, 2021

On January 6, 2021, the Company issued 50,000 SVS upon the exercise of 50,000 stock options for gross proceeds of $3,279. 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 $71,058. 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 6) at a fair value of $45,564.

On May 26, 2021, the Company issued 10,000,000 SVS as part of the acquisition of Delic Labs (Note 4) 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 506,951 share purchase warrants. The warrants were valued at CAD$48,063 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 $2,240,312.

On September 28, 2021, the Company issued 9,000,000 units of the Company (the "Units") at a price of C$0.285 per Unit and 15,561,404 pre-funded units of the Company (the "Pre-Funded Units") at a price of C$0.2849 for gross proceeds of 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 C$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 Pre-Funded Warrants and Agent Warrants were valued at CAD$3,423,509 and 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 Pre-Funded Warrants was recorded as a warrant liability. The value attributed to the Agent Warrants was recorded to share issuance costs.

For the nine months ended September 30, 2020

The Company repaid the convertible loans and satisfied certain equity obligations under such loans, through a cash repayment of $400,000 and the issuance of 7,460,000 common shares. As part of the conversion, the Company recognized a gain of $309,006 in the condensed interim statement of income and comprehensive income for the period.

The Company issued 12,540,000 common shares at a price of $1.89 for gross proceeds of $237,006.

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, 2021, there were 6,121,275 SVS and 102,975 MVS remain in escrow. The next release date is November 18, 2021.

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.

(Unaudited - Expressed in US Dollars)

The Company had the following stock options outstanding as at September 30, 2021:

	Number of options	Weighted average exercise price (CAD)
		$
Balance, December 31, 2019	-	-
Granted	4,175,000	0.25
Exercised	(100,000)	0.08
Balance, December 31, 2020	4,075,000	0.26
Granted	1,288,887	0.54
Cancelled/expired	(376,667)	0.39
Exercised	(50,000)	0.08
Balance, September 30, 2021	4,937,220	0.33

Outstanding	Exercisable	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
		$		
3,400,000	-	0.25	17-Nov-23	2.13
415,000	-	0.35	18-Dec-23	2.22
400,000	-	0.65	08-Feb-24	2.36
50,000	-	0.58	11-Feb-24	2.37
70,000	-	0.75	22-Feb-24	2.40
50,000	-	0.63	03-Mar-24	2.42
108,887	-	0.58	04-Mar-24	2.43
83,333	-	0.55	10-Mar-24	2.44
80,000	-	0.28	01-Sep-24	2.92
280,000	-	0.35	17-Sep-24	2.93
4,937,220	-			

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$348,357 (2020 – $Nil) 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$15,270 (2020 – $Nil) has been recognized in the condensed consolidated interim statements of 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$59,685 (2020 - $Nil) has been recognized in the condensed consolidated interim statements of comprehensive loss.

On February 8, 2021, the Company granted 400,000 stock options to consultants of the Company. The stock options vest immediately and were valued at CAD$159,968 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.

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$11,855 has been recognized in the condensed consolidated interim statements of comprehensive loss.

On February 22, 2021, the Company granted 70,000 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$32,301 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$20,956 has been recognized in the condensed consolidated interim statements of comprehensive loss.

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$12,574 has been recognized in the condensed consolidated interim statements of 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$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$65,862 has been recognized in the condensed consolidated interim statements of 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$13,782 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 3. Of the total value, CAD$Nil has been recognized in the condensed consolidated interim statements of 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$56,000 using the Black-Scholes option pricing model with the following weight average assumptions: risk-free interest rate – 0.30%; volatility – 100%; expected dividend yield – 0.0%; expected option life in years – 5. Of the total value, CAD$Nil has been recognized in the condensed consolidated interim statements of comprehensive loss.

Warrants

In connection to the subscription receipts issued on November 12, 2020, the Company issued 273,000 warrants as a finders' fee. Each warrant is exercisable into one common share at an exercise price of CAD$0.20 for 18 months from the closing date. As at September 30, 2021, all the warrants are outstanding and exercisable.

(Unaudited - Expressed in US Dollars)

The Company had the following warrants outstanding as at September 30, 2021:

	Number of warrants	Weighted average exercise price (CAD)
		$
Balance, December 31, 2019	-	-
Granted	273,000	0.2
Exercised	-	-
Balance, December 31, 2020	273,000	0.2
Granted	38,474,457	0.35
Exercised	-	-
Balance, September 30, 2021	38,747,457	0.39

Outstanding	Exercise Price (CAD)	Expiry Date	Weighted average remaining life (in years)
	$		
273,000	0.20	22-May-22	0.64
306,951	0.30	13-May-23	1.62
11,641,189	0.30	27-May-23	1.65
15,561,404	0.28	28-Sep-26	5.00
10,964,913	0.38	28-Sep-26	5.00
38,747,457			

11. 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 CEO, and the CFO. During the period ended September 30, 2021, key management compensation included the following:

	September 30, 2021	September 30, 2020
	$	$
Management compensation	80,529	46,923
Share-based payments	119,584	-
Total	200,113	46,923

12. CAPITAL MANAGEMENT

As at September 30, 2021, 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, 2021. The Company is not subject to external capital requirements.

13. 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, 2021, the Company's financial instruments consisted of cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, the CEBA loan, and long term 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, 2021, the Company has working capital of $5,728,353 (December 31, 2020 – $2,116,352) and has long term liabilities of $4,206,929 (December 31, 2020 - $Nil). 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 liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash of $6,996,907 (December 31, 2020 - $2,082,206) and accounts payable and accrued liabilities of $564,188 (December 31, 2020 - $73,355).

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.

(Unaudited - Expressed in US Dollars)

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.

14. 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 nine months ended September 30, 2021, the Company operates in the following reportable segments:

- Media – U.S.
- Health – U.S.
- Sciences – Canada
  Corporate – Canada

	Media	Sciences	Health*	Corporate	Total
	$	$	$	$	$
Sales					
U.S.	155,297	-	59,109	-	214,406
Canada	-	118,061	-	-	118,061
Total sales	155,297	118,061	59,109	-	332,467
Expenses			-		
U.S.	1,071,043	-	-	-	1,071,043
Canada	-	290,818	285,332	3,098,077	3,674,228
Total expenses	1,071,043	290,818	285,332	3,098,077	4,745,271
Assets					
U.S.	220,975	-	3,639,217	-	3,860,192
Canada	-	3,751,511	-	6,836,242	10,587,753
Total assets	220,975	3,751,511	3,639,217	6,836,242	14,447,944
Liabilities					
U.S.	122,724	-	258,259	-	380,983
Canada	-	420,192	-	5,253,302	5,673,494
Total liabilities	122,724	420,192	258,259	5,253,302	6,054,477

* Presented net of sales provision adjustments.

15. SUBSEQUENT EVENTS

On November 4, 2021, the Company closed the Acquisition of Ketamine Wellness Centres Arizona LLC (“KWC”), a limited liability corporation formed under the laws of Arizona, which owns and operates 10 ketamine infusion treatment clinics Arizona, Colorado, Florida, Illinois, Minnesota, Nevada, Texas, Utah, and Washington pursuant to the terms of the merger agreement. Supported by clinical trials and peer reviewed studies, ketamine infusions have emerged as a promising treatment option for chronic diseases and pain disorders. The successful completion of the transaction makes the Company the largest chain of wellness centers providing ketamine treatments in the US.

The Company acquired all of the membership interests of KWC through a reverse triangular merger between KWC and a wholly-owned subsidiary of the Company (the "Transaction") for an aggregate purchase price of USD$10,000,000. The Company issued multiple voting shares in the capital of the Company ("Consideration Shares") to the members of KWC (the "Members"), having an aggregate value of USD$5,000,000, less a holdback equal to USD$1,000,000, at a price per Consideration Share of US $0.1658 (being the ten trading day volume weighed average trading price ("VWAP") of the Consideration Shares on the Canadian Securities Exchange (the "Exchange") as of November 3, 2021). Delic further satisfied the purchase price by paying to the Members, an amount equal to USD$5,000,000 in cash consideration with approximately US$3,293,933 paid on the closing date, US$296,541 to be paid on forgiveness of a loan to KWC from The Health Resources and Services Administration, USD$750,000 to be paid on the date that is 12 months following the closing date, and the final USD$750,000 to be paid on the date that is 24 months following the closing date. In addition, the Members are eligible to receive additional Consideration Shares upon each new clinic opened by KWC that posts three consecutive months of profitability and minimum revenue of USD$135,000, during those three months, such additional Consideration Shares to have an aggregate value of USD$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 USD$3,000,000 in additional Consideration Shares.

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.

Subsequent to September 30, 2021, 4,261,404 pre-funded warrants were exercised for gross proceeds of $426.