Revitalist Lifestyle and Wellness Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Revitalist Lifestyle and Wellness Ltd.

Opinion

We have audited the consolidated financial statements of Revitalist Lifestyle and Wellness Ltd. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
May 2, 2022

Revitalist Lifestyle and Wellness Ltd.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
	$	$
Assets		
Current		
Cash	**3,886,851**	-
Accounts receivable (Note 6)	**153,291**	-
Prepaid expenses	**125,635**	-
	4,165,777	-
Lease deposits	**161,392**	-
Property and equipment (Note 7)	**407,294**	-
Right-of-use assets (Note 11)	**5,221,164**	-
Goodwill (Note 9)	**1,063,510**	-
Intangible assets (Note 8)	**725,650**	-
	11,744,787	-
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	**686,674**	4,731
Acquisition consideration payable (Note 5)	**1,916,556**	-
Lease obligations (Note 11)	**679,507**	-
	3,282,737	4,731
Long term lease obligations (Note 11)	**4,805,944**	-
	8,088,681	4,731
Shareholders' Equity (Deficiency)		
Share capital (Note 14)	**13,369,210**	-
Share options and warrants	**3,198,819**	-
Deficit	**(12,613,135)**	(4,731)
Accumulated other comprehensive loss	**(130,481)**	-
	3,824,413	(4,731)
Non-controlling interest (Note 12)	**(168,307)**	-
	3,656,106	(4,731)
	11,744,787	-

Nature of operations and going concern (Note 1)
Contingency (Note 19)
Subsequent events (Note 21)

Approved by the Board of Directors:

"Kathryn Walker"
Kathryn Walker, Director and CEO

"Aaron Bowden"
Aaron Bowden, Director

The accompanying notes form an integral part of these consolidated financial statements.

Revitalist Lifestyle and Wellness Ltd.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	For the years ended December 31, 2021	December 31, 2020
	$	$
Revenue		
Patient services	**2,067,456**	-
Expenses		
Accretion of share consideration payable (Note 5)	**179,685**	-
Advertising and promotion	**1,411,424**	-
Amortization and depreciation (Notes 7 and 8)	**104,756**	-
Amortization of right-of-use assets (Note 11)	**557,540**	-
Dues and subscriptions	**23,100**	-
Insurance	**56,024**	-
Interest and bank charges	**43,163**	-
Interest expense on lease liability (Note 11)	**409,460**	-
Meals and entertainment	**5,758**	-
Medication and supplies	**249,479**	-
Office and administrative	**309,815**	1,906
Professional fees	**885,978**	-
Revitaland development (Note 20)	**418,278**	-
Salaries and wages	**4,581,041**	-
Share based compensation	**2,106,304**	-
Share based compensation related to acquisition (Note 5)	**3,383,532**	-
Utilities	**116,473**	-
	14,841,810	1,906
Loss before other items	**12,774,354**	1,906
Foreign exchange loss	**2,357**	-
Net loss for the year	**12,776,711**	1,906
Unrealized loss on translation to reporting currency	**130,481**	-
Comprehensive loss for the year	**12,907,192**	1,906
Net loss attributable to:		
Shareholders of the Company	12,609,400	1,906
Non-controlling interests	167,311	-
	12,776,711	1,906
Net comprehensive loss attributable to:		
Shareholders of the Company	12,738,885	1,906
Non-controlling interests	168,307	-
	12,907,192	1,906
Loss per share (basic and diluted)	**$0.24**	$0.03
Weighted average number of common shares outstanding	**53,136,496**	70,356

The accompanying notes form an integral part of these consolidated financial statements.

Revitalist Lifestyle and Wellness Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares	Share Capital	Share options and warrants	Deficit	Non-controlling interest	Accumulated Other Comprehensive loss	Total Equity
	#	$	$	$	$	$	$
Balance, December 31, 2019	1	-	-	(2,825)	-	-	(2,825)
Shares issued	25,750,000	-	-	-	-	-	-
Net loss for the year	-	-	-	(1,906)	-	-	(1,906)
Balance, December 31, 2020	25,750,001	-	-	(4,731)	-	-	(4,731)
Balance, December 31, 2020	25,750,001	-	-	(4,731)	-	-	(4,731)
Shares issued (Note 13)	23,246,917	9,404,962	-	-	-	-	9,404,962
Share issuance costs	-	(557,936)	-	-	-	-	(557,936)
Warrants issued	-	(1,092,515)	1,092,515	-	-	-	-
Shares issuable on acquisition (Note 5)	18,715,662	5,614,699	-	-	-	-	5,614,699
Share based compensation (Note 14)	-	-	2,106,304	-	-	-	2,106,304
Net loss for the year	-	-	-	(12,608,404)	(168,307)	-	(12,776,711)
Foreign currency translation adjustment	-	-	-	-	-	(130,481)	(130,481)
Balance, December 31, 2021	**67,712,580**	**13,369,210**	**3,198,819**	**(12,613,135)**	**(168,307)**	**(130,481)**	**3,656,106**

The accompanying notes form an integral part of these consolidated financial statements.

Revitalist Lifestyle and Wellness Ltd.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
	$	$
Cash provided by (used in):		
Operating activities		
Net loss	**(12,776,711)**	-
Add (deduct) items not affecting cash:		
Amortization of right-of-use assets	**557,540**	-
Amortization and depreciation	**104,756**	-
Foreign currency translation	**(130,481)**	-
Interest expense on lease liability	**409,460**	-
Accretion of share consideration payable	**179,685**	-
Revitaland development	**380,000**	-
Share based compensation	**2,106,304**	-
Share based compensation related to acquisition	**3,383,532**	-
Changes in working capital balances:		
Accounts receivable	**1,631,953**	-
Prepaid expenses	**(25,636)**	-
Accounts payable and accrued liabilities	**654,341**	-
Net cash used in operating activities	**(3,525,256)**	-
Investing activities:		
Cash paid on Revitalist acquisition	**(176,628)**	-
Cash obtained on acquisition	**352,416**	-
Cash paid for purchase of property and equipment	**(366,602)**	-
Lease payments	**(702,713)**	-
Lease deposits	**(161,392)**	-
Net cash used in investing activities	**(1,054,919)**	-
Financing activities:		
Proceeds from private placements	**9,024,962**	-
Proceeds to share issuance costs	**(557,936)**	-
Net cash from financing activities	**8,467,026**	-
Net change in cash for the year	**3,886,851**	-
Cash, beginning of year	**-**	-
Cash, end of year	**3,886,851**	-

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Revitalist Lifestyle and Wellness Ltd. (formerly Dealpool Capital Corp.) (the "Company" or "Revitalist" or "Group") is a publicly listed company incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia. The Company's registered records office is located at 3200 – 650 West Georgia Street, Vancouver, British Columbia, V6B 4P7 and its head office is located at 10608 Flickenger Lane, Knoxville, TN, 37922.

Revitalist is a mental health company enabling safe access to psychedelic medicine through a network of clinics located in the United States. Revitalist provides ketamine-assisted psychotherapy and other novel treatments through its network of integrative mental health clinics.

These consolidated financial statements comprise the financial statements of the Company, its legal subsidiaries, Ketamine Holdings Ltd. ("Ketamine Holdings"), Ketamine Holdings (USA) Ltd. ("Ketamine Holdings (USA)"), Revitalist, LLC ("Revitalist, LLC"), Revitaland Meta Tech Inc. ("Revitaland") and one ketamine clinic in the United States owned by state-licensed physicians and organized as professional medical corporations ("PCs").

On August 24, 2021, the Company listed its common shares for trading on the Canadian Securities Exchange under the symbol "CALM."

On February 19, 2021, Revitalist acquired 100% of the outstanding shares of Ketamine Holdings (the "Acquisition"). Pursuant to the Acquisition, Revitalist issued 31,450,000 common shares to the shareholders of Ketamine Holdings. The Acquisition resulted in the shareholders of Ketamine Holdings acquiring control of Revitalist. Therefore, the Acquisition, has been accounted for as an acquisition of Revitalist by Ketamine Holdings. The Acquisition has been accounted for as a reverse take-over ("RTO") and, as Revitalist did not meet the definition of a business as defined by *International Financial Reporting Standards ("IFRS") 3 – Business Combination*, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The Acquisition is a reverse take-over whereby, the legal subsidiary, Ketamine Holdings has been determined to have acquired control of Revitalist, and to be the acquirer for accounting purposes. In accordance with the principles of reverse take-over accounting, the Company will report the operations of Ketamine Holdings and its related historical comparatives as its continuing business, except for the legal capital shown in the consolidated statements of changes in shareholders' equity and in Note 14, which have been adjusted to reflect the share capital of the Company.

On January 19, 2021, Ketamine Holdings incorporated a wholly owned subsidiary in Delaware, USA, Ketamine Holdings (USA). On February 16, 2021, Ketamine Holdings (USA) entered into an agreement to acquire 100% of the membership interest of Revitalist, LLC from the sole member (the "Revitalist Acquisition"). Consideration for the Revitalist Acquisition includes two times normalized revenue for the year ended December 31, 2020, increased by two times the insurance billings collected between January 1, 2021 and December 31, 2021 that relates to services performed during the year ended December 31, 2020 ("Purchase Price"). The final calculation of the Purchase Price will be made by January 16, 2022. Consideration payable in accordance with the original agreement included $150,000 USD cash on closing, and the remainder of the Purchase Price payable 50% in cash and 50% in common shares on the one-year anniversary of the Revitalist Acquisition. The agreement was initially amended on April 13, 2021 and the consideration payable was revised to equal $150,000 cash on closing and the remainder payable in common shares on the one-year anniversary of the Revitalist Acquisition. The agreement was further amended on March 30, 2022 (Note 21). The Revitalist Acquisition was accounted for as a business combination under IFRS 3 as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at acquisition date.

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd)

These consolidated 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 $12,613,135 and negative cash flow from operations of $3,525,256. 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 consolidated 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 consolidated financial statements, then adjustments would be necessary to reflect These consolidated financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

2. BASIS OF PREPARATION

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 2, 2022.

b) Basis of measurement

These consolidated financial statements are a continuation of the consolidated financial statements of the Company and have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value, as disclosed in Note 3.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. BASIS OF PREPARATION (cont'd)

c) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company, its legal subsidiaries and one PC, RVLWF, PLLC. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All intercompany transactions and balances have been eliminated. The Company controls the following entities:

	Percentage ownership interest	
	2021	2020
KETAMINE HOLDINGS	**100%**	0%
KETAMINE HOLDINGS (USA)	**100%**	0%
REVITALIST, LLC	**100%**	0%
REVITALAND META TECH INC.	**60%**	0%

Revitalist has entered into agreements with RVLWF, PLLC which consist of a Management Services Agreement ("MSA"), which provides for various administrative and management services to be provided by the Company to the PC, and a Succession Agreement, which provides for transition of ownership of the PC under certain conditions.

The term of the MSA is twenty years with automatic renewal for successive five-year terms, subject to termination by Revitalist or the PC in certain specified circumstances. The Company has the right to receive income as ongoing administrative fee in an amount that represents fair value of services rendered and has provided all financial support through loans to the PC. Revitalist 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 PC. The Company directs and trains PC 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 the PC. The PC is branded as a Revitalist clinic using its marketing collateral and logo. In addition, Revitalist holds a security interest in all PC revenue and proceeds as collateral.

Under the terms of the Succession Agreement. Revitalist has the right to designate a successor shareholder in the event of a succession event. The outstanding voting equity instruments of the PC is owned by successor shareholders appointed by Revitalist or other shareholder who are also subject to the terms of the succession Agreements.

Based upon the provisions of these agreements, Revitalist determined that the PC is controlled by the Company. The contractual arrangement to provide management services allows Revitalist to direct the economic activities that most significantly affect the PC. Accordingly, the Company consolidated the accounts of PC 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 succession shareholder succession arrangements 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 the PC. Therefore, all income and expenses of the PC is allocated to the Revitalist shareholders.

2. BASIS OF PREPARATION (cont'd)

d) Functional and presentation currency

The Group's presentation currency is the Canadian dollar. The functional currency of Revitalist, Ketamine Holdings, and Ketamine Holdings (USA) is the Canadian dollar. The functional currency of Revitalist, LLC, Revitaland and RVLWF, PLLC is the US dollar ("USD"). 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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. inputs used in estimating the fair values of intangible assets acquired in business combinations;
ii. inputs used in estimating the recoverable amounts of intangible assets and cash generating units in impairment calculations;
iii. the incremental borrowing rate used and renewal provisions in measuring right of use assets and lease liabilities;
iv. the estimates involved in valuation of share-based payments and warrants

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Significant accounting estimates and judgements (cont'd)

Significant accounting judgment

i. the evaluation of the Company's ability to continue as a going concern;
ii. the evaluation on whether or not an acquisition of a business is considered a business combination or an asset acquisition;
iii. the identification of accounting acquirer;
iv. assessment of indications of impairment;
v. the determination of categories of financial assets and financial liabilities;
v. revenue recognition and accruals;
vi. the determination of functional currency; and
vii. the evaluation of control over its PC

b) Property and equipment

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

Furniture and equipment: 5 years straight line
Computer equipment and software: 5 years straight line
Leasehold improvements: 5 years straight line

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

c) Leases

The Company recognizes right-of-use assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. For leases where the Company is the lessee, it recognizes a right-of-use asset and a lease liability at inception using the Company's incremental borrowing rate. Right-of-use assets are amortized over the term of the lease and the lease liability is recorded at amortized cost for its clinic premises leases previously classified as operating leases.

d) Share issuance costs

Professional, consulting, regulatory and other costs that are directly attributable to the issuance of shares are charged to common shares when the related shares are issued, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Revenue recognition

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

f) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to complete development and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are expensed as incurred. Research and development expenses include all direct and indirect operating expenses supporting the products in development.

g) Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit and loss ("FVTPL") transaction costs.

Financial assets are subsequently measured at either:

i. amortized cost;
ii. fair value through other comprehensive income ("FVTOCI"); or
iii. at fair value through profit or loss ("FVTPL").

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

	IFRS 9 Classification
Financial assets	
Cash	FVTPL
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost
Lease liabilities	Amortized cost
Acquisition consideration payable	Amortized cost

IFRS 9 uses an expected credit loss impairment model. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date.

i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

k) Impairment of long-lived assets

Long-lived assets, including intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

l) Intangible assets

Intangible assets with finite useful lives are comprised of patient lists and recorded at cost less accumulated amortization and accumulated impairment losses. They are amortized over their estimated useful life of 5 years. Estimated useful lives of intangible assets are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Intangible assets with indefinite useful lives are comprised of the Revitalist trademark and brand and goodwill. These intangible assets and are carried at cost less accumulated impairment losses. Intangible assets with indefinite lives are not amortized but are tested annually for impairment. Any impairment of intangible assets is recognized in the statement of operations and comprehensive loss but increases in intangible asset values are only recognized to the extent that they reverse any previously recognized impairment losses.

m) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Share-based payments (cont'd)

Share-based compensation expense relating to restricted share units is accrued over the vesting period of the units based on the quoted market price.

n) Business acquisitions

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3 Business Combinations. This assessment requires management to make judgments on whether the assets acquired, and liabilities assumed, constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business inputs and processes.

o) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired on the date of acquisition less any impairment losses. Goodwill is allocated to the Cash Generating Units ("CGU") to which it relates. Goodwill is measured at historical cost and is evaluated for impairment annually and more often if events or circumstances indicate there may be impairment.

Impairment is determined for goodwill by assessing if the carrying value of a 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 year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

4. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

New accounting standards adopted in the current year

On January 1, 2021, the Company adopted amendments to IFRS 2, "Share-based Payment". The amendments provide clarification on how to account for certain types of share-based transactions. The adoption of this amendment did not have any impact on the Company's consolidated financial statements.

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

Standards issued but not yet effective

<u>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</u> – Interest Rate Benchmark Reform – Phase 2 In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments (IFRS 9), IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), IFRS 7, Financial Instruments: Disclosures (IFRS 7), IFRS 4, Insurance Contracts (IFRS 4) and IFRS 16, as a result of Phase 2 of the IASB's Interest Rate Benchmark Reform project. The amendments address issues arising in connection with reform of benchmark interest rates, including the replacement of one benchmark rate with an alternative one. The amendments were effective January 1, 2021. For the year ended December 31, 2021, these amendments did not affect the Company's financial statements.

The amendments are not expected to have a material impact on the Company.

<u>Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16</u>:

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

<u>Amendments to IAS 1: Classification of Liabilities as Current or Non – current</u>:

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice. The amendments are not expected to have a material impact on the Company.

4. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (cont'd)

Reference to the Conceptual Framework – Amendments to IFRS 3:

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments:

Fees in the '10 per cent' test for derecognition of financial liabilities - As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

(expressed in Canadian dollars)

5. REVERSE TAKE-OVER AND BUSINESS COMBINATION

Revitalist Acquisition

On February 16, 2021, Ketamine Holdings (USA) entered into an agreement to acquire 100% of the membership interest of Revitalist, LLC (the “Revitalist Acquisition”).

Consideration for the Revitalist Acquisition includes two times normalized revenue for the year ended December 31, 2020, increased by two times the insurance billings collected between January 1, 2021 and December 31, 2021 that relates to services performed during the year ended December 31, 2020 (“Purchase Price”). Consideration is payable as follows: $150,000 USD cash on closing, and the remainder of the Purchase Price payable in common shares on the one year anniversary of the Revitalist Acquisition. See Note 21 for an amendment to consideration payable.

The Revitalist Acquisition was accounted for as a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and the liabilities assumed were recorded at their estimated fair value at the acquisition date. The Company applied various estimates and valuation techniques in order to measure the assets acquired and the liabilities assumed in the business combination. 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.

The allocation of the components of total consideration to the net assets acquired was as follows:

Consideration	$
Acquisition consideration payable	1,736,871
Cash consideration paid	190,170
	1,927,041

Net assets acquired	$
Cash	13,445
Accounts receivable	3,453
Property and equipment	89,195
Right-of-use asset	727,965
Customer list	322,000
Brand and trademark	460,000
Goodwill	1,063,510
Accounts payable and accrued liabilities	(24,562)
Lease obligations	(727,965)
Total net assets acquired	1,927,041

The Company recorded accretion expense of $179,685 during the year bringing the acquisition consideration payable to the amount payable of $1,916,556 as at December 31, 2021. The discount rate used to determine the present value of the liability was 11.3% over a period of one year.

The resulting goodwill represents the sales and growth potential of Revitalist, LLC and will be deductible for tax purposes.

(expressed in Canadian dollars)

5. REVERSE TAKE-OVER AND BUSINESS COMBINATION (cont'd)

Ketamine Holdings Acquisition

On February 19, 2021, Revitalist acquired 100% of the outstanding shares of Ketamine Holdings and issued 31,450,000 common shares to the shareholders of Ketamine Holdings. The Acquisition does not constitute a business combination under IFRS 3 Business Combinations as Revitalist did not meet the definition of a business prior to the transaction. Accordingly, the Acquisition has been accounted for as an acquisition by Ketamine Holdings of the Company's net assets. In accordance with the principles of reverse take-over accounting, Ketamine Holdings will report the operations and its related historical comparatives as its continuing business.

The acquisition date fair value of the consideration was estimated based on the net asset value of the Company using the last financing price in Revitalist as follows:

	$
Consideration paid	
Common shares issued (18,715,662 common shares at $0.30)	5,614,699
Assets (liabilities) acquired	
Cash	352,417
Prepaid expenses and deposits	100,000
Subscriptions receivable	1,781,791
Accounts payable and accrued liabilities	(3,040)
Net assets acquired	2,231,167
Acquisition expense – share based compensation	3,383,532

The share-based compensation represents the services and knowledge related to the expertise that the Ketamine Holdings brings to the Company.

6. ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	$	$
Trade receivables	**85,957**	-
GST and taxes recoverable	**67,334**	-
	153,291	-

Trade receivables relates to amounts receivable from patients/insurance for treatments completed at the clinics. During the fiscal year ended December 31, 2021 and 2020, no expected credit loss allowance was recorded for accounts receivable. No receivables were written off during the year.

(expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Total
	$	$	$	$
Cost				
Balance, December 31, 2020	-	-	-	-
Additions	102,356	172,179	181,165	455,700
Balance, December 31, 2021	102,356	172,179	181,165	455,700
Depreciation				
Balance, December 31, 2020	-	-	-	-
Additions	10,573	12,494	25,339	48,406
Balance, December 31, 2021	10,573	12,494	25,339	48,406
Balance, December 31, 2020	-	-	-	-
Balance, December 31, 2021	**91,783**	**159,685**	**155,826**	**407,294**

8. INTANGIBLE ASSETS

	Brand and Trademark	Customer List	Total
	$	$	$
Cost			
Balance, December 31, 2020	-	-	-
Additions (Note 5)	460,000	322,000	782,000
Balance, December 31, 2021	460,000	322,000	782,000
Amortization			
Balance, December 31, 2020	-	-	-
Additions	-	56,350	56,350
Balance, December 31, 2021	-	56,350	56,350
Balance, December 31, 2020	**-**	**-**	**-**
Balance, December 31, 2021	**460,000**	**265,650**	**725,650**

9. GOODWILL

	Total
	$
Cost	
Balance, December 31, 2020	-
Additions (Note 5)	1,063,510
Balance, December 31, 2021	1,063,510

(expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	$	$
Trade accounts payable	**54,381**	4,731
Accrued liabilities	**298,924**	-
Payroll liabilities	**333,369**	-
	686,674	4,731

11. RIGHT OF USE ASSET AND LEASE LIABILITY

	Right of Use Asset
	$
Cost	
Balance, December 31, 2020	-
Assumed at Acquisition	727,965
Additions	5,050,739
Balance, December 31, 2021	5,778,704
Depreciation	
Balance, December 31, 2020	-
Additions	(557,540)
Balance, December 31, 2021	(557,540)
Balance, December 31, 2020	**-**
Balance, December 31, 2021	**5,221,164**

The Company's right-of-use assets consist of its clinic premises lease and medical equipment.

The following is the continuity of lease liabilities, for the year ended December 31, 2021:

	December 31, 2021
	$
Opening balance, December 31, 2020	-
Assumed at Acquisition	727,965
Additions	5,050,739
Lease payments	(702,713)
Interest expense on lease liabilities	409,460
	5,485,451
Current portion	**679,507**
Long-term portion	**4,805,944**

(expressed in Canadian dollars)

11. RIGHT OF USE ASSET AND LEASE LIABILITY (cont'd)

As at December 31, 2021, the minimum lease payments for the lease liabilities are as follows:

	$
Year ending:	
2022	1,598,965
2023	1,718,153
2024	1,741,728
2025	1,734,283
2026	1,043,025
2027-2032	1,330,574
	9,166,728
Less: Interest expense on lease liabilities	(3,681,277)
Total present value of minimum lease payments	**5,485,451**

When measuring lease obligations, the Company's incremental borrowing rate applied was 14.3% per annum.

12. NON CONTROLLING INTEREST

The non-controlling interest represents equity in Revitaland that is not attributable to the Company.

The following table represents the summarized financial information of Revitaland:

	Revitaland
Ownership interest	60%
	$
Current assets	-
Non-current assets	-
Current liabilities	-
Non-current liabilities	420,768
Revenue for the year ended	-
Net loss for the year ended	420,768
Net loss attributable to non-controlling interest	168,307

The net change in the non-controlling interest is as follows:	
	$
Balance, December 31, 2020	-
Net loss attributable to non-controlling interest	168,307
Balance, December 31, 2021	168,307

(expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation charges during the year ended December 31, 2021 and 2020:

	2021	2020
	$	$
Salaries, bonuses, fees, and benefits	**260,279**	-
Share based compensation	**177,755**	-
	438,034	-

During the year, the Company paid $194,230 in lease payments to a company controlled by the CEO. The Company owes $5,291 to a related party at year end.

14. SHARE CAPITAL

Authorized Share Capital

The Company has an unlimited number of common shares without par value authorized for issuance. As at December 31, 2021, the Company had 67,712,580 common shares issued and outstanding.

Share Transactions

On February 3, 2021, The Company closed a private placement and issued 5,700,000 common shares for proceeds of $430,075.

On February 19, 2021, the Company issued 18,715,662 common shares per the transaction described in Note 5.

On July 14, 2021, the company closed a private placement for aggregate gross proceeds of $5,594,887 through the issuance of 11,189,774 special warrants at a price of $0.50 per special warrant. Each special warrant entitled the holder to receive one common share of the Company. The special warrants converted to common shares at the time the Company listed its shares for trading on the Canadian Securities Exchange on August 24, 2021.

On November 17, 2021, the Company closed a private placement for aggregate gross proceeds of $3,000,000 through the issuance of 5,357,143 common share units. Each unit consisted of one common share and 1 common share purchase warrants with an exercise price of $0.69 each. The fair market value of these warrants using the residual value method was $ 964,286. The exclusive placement agent in the transaction received warrants with an exercise price of $0.56 each ("Agent Warrants"). All warrants issued may be exercised over a period of 5 years. The fair value of the Agent Warrants granted during the period using the Black Scholes option pricing model was $128,229. The following assumptions were used: exercise price of $0, estimated volatility of 150% based on comparable companies, expected life of 5 years and a risk-free rate of 0.14%.

On November 19, 2021, the Company issued 1,000,000 common shares with a fair value of $380,000 pursuant to a development agreement (Note 20).

The Company incurred share issuance costs of $557,936 related to the private placements.

14. SHARE CAPITAL (cont'd)

Escrow shares

As at December 31, 2021, the Company had 4,500,000 shares in escrow.

Stock option plan

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Options

On February 17, 2021, the Company granted a total of 3,050,000 incentive stock options to certain officers, directors, and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.30 per share. Options vest 50% on February 17, 2022 and the remaining 50% on February 17, 2023.

The fair value of the options granted during the period was calculated using the Black Scholes option pricing model. The following assumptions were used: exercise price of $0.30, estimated volatility of 150% based on comparable companies, expected life of 5 years and a risk-free rate of 0.10%.

On July 14, 2021, the Company granted a total of 4,525,000 incentive stock options to certain officers, directors, and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.50 per share. 1,275,000 of the options vest 50% on July 14, 2022 and the remaining 50% on July 14, 2023. 2,250,000 of the options vest 50% on January 14, 2022 and the remaining 50% on July 14, 2022. 1,000,000 of the options vest 25% on January 14, 2022, 25% on July 14, 2022, 25% on January 14, 2023, and the remaining 25% on July 14, 2023.

The fair value of the options granted during the period was calculated using the Black Scholes option pricing model. The following assumptions were used: exercise price of $0.50, estimated volatility of 150% based on comparable companies, expected life of 5 years and a risk-free rate of 0.16%.

On July 14, 2021, the Company granted a total of 1,500,000 restricted share units to eligible persons of the Company. The restricted share units vest 25% on November 14, 2021, 25% on March 14, 2022, 25% on July 14, 2022, and the remaining 25% on November 14, 2022.

On August 26, 2021, the Company granted a total of 105,000 incentive stock options to certain officers, directors, and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.60 per share. Options vest 50% on August 26, 2022 and the remaining 50% on August 26, 2023.

The fair value of the options granted during the period was calculated using the Black Scholes option pricing model. The following assumptions were used: exercise price of $0.60, estimated volatility of 150% based on comparable companies, expected life of 5 years and a risk-free rate of 0.18%.

(expressed in Canadian dollars)

14. SHARE CAPITAL (cont'd)

On August 31, 2021, the Company granted a total of 10,000 incentive stock options to certain officers, directors, and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.67 per share. Options vest 50% on August 31, 2022 and the remaining 50% on August 31, 2023.

The fair value of the options granted during the year was calculated using the Black Scholes option pricing model. The following assumptions were used: exercise price of $0.67, estimated volatility of 150% based on comparable companies, expected life of 5 years and a risk-free rate of 0.18%.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2020	-	-
Granted	3,050,000	0.30
Granted	4,525,000	0.50
Granted	105,000	0.60
Granted	10,000	0.67
Outstanding, December 31, 2021	7,690,000	0.42

The following summarizes information about the outstanding stock options exercisable to acquire common shares of the Company as at December 31, 2021:

Outstanding		
Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
7,690,000	4.38	0.42

As at December 31,2021, no stock options had vested.

Movements in the number of restricted stock units outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price $
Outstanding, December 31, 2020	-	-
Granted	1,500,000	0.50
Outstanding, December 31, 2021	1,500,000	0.00

(expressed in Canadian dollars)

14. SHARE CAPITAL (cont'd)

The following summarizes information about the outstanding restricted stock units exercisable to acquire common shares of the Company as at December 31, 2021:

Outstanding			Exercisable		
Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
1,500,000	4.53	0.50	375,000	4.53	0.50

Warrants

Warrant entitle the holder thereof to acquire one common share. No fractional shares are issuable upon the exercise of warrants. The Company may either pay a cash amount or round up to the nearest whole share in such circumstances. Warrants do not have any voting or pre-emptive rights or any other rights which a holder of common shares would have.

The following is a schedule of the warrants outstanding as at December 31, 2021:

	Number of warrants	Weighted average remaining contractual life (years)	Weighted average exercise price $
Outstanding, December 31, 2020	-	-	-
Granted	5,732,143	5.00	0.68
Outstanding, December 31, 2021	5,732,143	4.88	0.68

15. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2021, as follows:

		December 31, 2021		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	3,886,851	3,886,851	-	-

		December 31, 2020		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	-	-	-	-

15. FINANCIAL INSTRUMENTS AND RISKS (cont'd)

The fair values of other financial instruments, which include amounts receivable, prepaid and deposits, amounts payable and lease liabilities approximate, approximate their carrying values due to the relatively short-term maturity of these instruments.

The fair value of acquisition consideration payable was determined using a present value of a probability weighted average of expected future cash outflows.

All financial instruments measured at fair value use Level 2 valuation techniques. There have been no transfers between fair value levels during the reporting period.

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, currency, and interest rate risk.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on any outstanding accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company's currency risk primarily arises from financial instruments denominated in currencies other than its functional currency. The Company does not undertake currency hedging activities to mitigate its foreign currency risk. The impact on the Company's profit or loss resulting from a 10% fluctuation in foreign exchange rates would be approximately $486,000.

Interest rate risk

Interest rate risk consists of two components:

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

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

(expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISKS (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Undiscounted contractual obligations as of December 31, 2021 and 2020 are as follows:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	686,674	686,674	-	-	-
Share consideration payable	1,916,556	1,916,556	-	-	-
Lease obligations	9,166,728	1,598,965	3,459,881	2,777,308	1,330,574
	11,769,958	**4,202,195**	**3,459,881**	**2,777,308**	**1,330,574**

16. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities, as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended December 31, 2021.

17. SEGMENT REPORTING

Information reported to the Chief Operating Decision Maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations. The Company operates in three segments:

Clinical Operations: which encompass the Company's ketamine assisted psychotherapy clinics across the United States of America.

Research: which consists of the development of virtual clinics in the metaverse and research focused expenses.

Corporate: which incorporates the operations of Revitalist's headquarters.

(expressed in Canadian dollars)

17. SEGMENT REPORTING (cont'd)

Factors considered in determining the operating segments include the company's business activities, the management structure directly accountable to the CODM, availability of discrete financial information and strategic priorities within the organizational structure.

Segment Information	Clinical Operations $	Research $	Corporate $	Total $
Net revenue	2,067,456	-	-	2,067,456
Net loss	(1,881,060)	(418,278)	(10,477,373)	(12,776,711)
Property, plant and equipment	407,294	-	-	407,294
Intangible assets	725,650	-	-	725,650
Goodwill	1,063,510	-	-	1,063,510

18. INCOME TAXES

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory tax rate to the amounts recognized in the financial statements of loss and comprehensive loss for the year ended December 31, 2021:

		2021		2020
Canadian statutory income tax rate		**27%**		**-**
Income tax (recovery) at statutory rate	**$**	**(3,449,712)**	$	-
Tax rate differential for foreign taxes		**(37,069)**		-
Permanent differences and others		**1,297,612**		-
Change in unrecognized deferred income tax assets		**2,189,169**		-
Deferred income tax recovery (expense)	**$**	**-**	$	-

The significant components of deferred income tax assets and liabilities are as follows:

		2021		2020
Non-capital losses	**$**	**1,824,433**	$	-
Property and equipment and right-of-use assets		**166,225**		-
Intangible assets		**15,215**		-
Share issuance costs		**148,212**		-
Unrecognized deferred income tax assets		**(2,154,085)**		-
Deferred income tax asset (liability)	**$**	**-**	$	-

As at December 31, 2021, the Company has not recognized a deferred tax asset in respect of non capital loss carry forwards of approximately $6,801,000. The non-capital losses are available to offset future years' taxable income, and expire as follows:

Year of loss	Year of expiry	$
2021	2041	6,757,000
2020	2040	44,000
		6,801,000

19. CONTINGENCY

On November 5, 2021 the Company was named in a lawsuit initiated by an industry competitor seeking damages of an unspecified amount. Revitalist denies any liability and has filed a counterclaim seeking damages from the plaintiff. The outcome of the lawsuit is undeterminable, and no amount has been recorded in the consolidated financial statements.

20. REVITALAND DEVELOPMENT

On November 19, 2021, the Company engaged consultants ("Consultants") for the purpose of developing Revitaland virtual clinics in the metaverse. Pursuant to this engagement, the Company issued 1,000,000 common shares with a fair value of $380,000 and paid consulting fees totaling $38,278. The Consultants are entitled to receive a total of 5,000,000 common shares upon achieving certain business milestones in the future or upon termination of the engagement within 12 months of execution.

21. SUBSEQUENT EVENTS

Acquisitions

On January 11, 2022, the Company closed an acquisition of clinic assets located in Jacksonville, Florida for a total purchase price of $100,000 USD, payable in cash totaling $60,000 USD and common shares with 50% issuable on January 11, 2023 and 50% issuable on January 11, 2024. The quantity of common shares issued will be determined using the greater $0.50 per common shares or the 20 day weighted average share prices prior to the issue date.

On March 21, 2022, the Company entered into a definitive agreement to acquire a clinic located in Richmond, Virginia. Consideration for the acquisition is payable $40,000 USD in cash on closing and 1,134,000 common shares issuable 50% in 12 months from the closing date and 50% in 24 months from the closing of the transaction. The transaction has not closed,

Private placement

On April 19, 2022, the company closed its first tranche of non-brokered private placement offering for aggregate gross proceeds to the Company of $3,869,000 (the "Private Placement"). Pursuant to the Private Placement, the Company issued convertible note units (the "Units") at a subscription price of $1,000 per Unit, each Unit composed of (i) $1,000 in principal amount of unsecured convertible note of the Company (a "Note") and (ii) 3,500 detachable common share purchase warrants (each warrant, a "Warrant"). Each Note matures in 36 months from the date of issuance ("Maturity Date") and will accrue simple interest at 8% ("Interest") per annum, payable quarterly. Each Note, and any accrued but unpaid interest thereon, is convertible into common shares of the Company at a conversion price of $0.15 at any time prior to the Maturity Date. Each Warrant will be exercisable at $0.20 per share at any time until the date that is 24 months from the date of issuance ("Expiry Date"). In the event that, at any time after the date of issuance and before the Expiry Date, the 15 day trading volume weighted average price of the common shares of the Company on the Canadian Securities Exchange exceeds $0.50, the Company is entitled to accelerate the expiry date of the Warrants to the date that is not less than 30 trading days following the date notice of such acceleration is delivered to Warrant holders

Revitalist Acquisition Amendment.

On March 30, 2022, the Company amended the terms of the Revitalist Acquisition agreement. Pursuant

21. SUBSEQUENT EVENTS (cont'd)

to the amendment, the remaining consideration owing totaling $1,913,549 was amended to be payable in cash on or before June 30, 2022. The liability was settled on April 19, 2022.

Stock Based Compensation

On January 7, 2020, the Company issued 130,000 restricted share units and 430,000 stock options exercisable for common shares at $0.20 per share.

On March 14, 2022, the Company issued 150,000 stock options exercisable for common shares at $0.09 per share.

The restricted share units and stock options are subject to vesting provisions over 24 months.