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**HIGHLINE WELLNESS INC.**

**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021 AND 2020**  
*(Unaudited)*

## INDEX TO FINANCIAL STATEMENTS

(UNAUDITED)

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	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT .....	1
FINANCIAL STATEMENTS:	
Balance Sheet .....	2
Statement of Operations .....	3
Statement of Changes in Stockholders' Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
Highline Wellness Inc.  
New York, New York

We have reviewed the accompanying financial statements of Highline Wellness Inc. (the "Company,"), which comprise the balance sheet as of December 31, 2021 and December 31, 2020, and the related statement of operations, statement of shareholders' equity (deficit), and cash flows for the year ending December 31, 2021 and December 31, 2020, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern**

As discussed in Note 12, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Set Apart FS

September 19, 2022  
Los Angeles, California

**HIGHLINE WELLNESS INC.****BALANCE SHEET****(UNAUDITED)**

<b>As of December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 375,344	\$ 319,189
Accounts Receivable, net	6,177	29,844
Inventory	668,657	582,685
Due from Related Parties	194,995	8,284
Prepays and Other Current Assets	224,356	466,973
<b>Total Current Assets</b>	<b>1,469,530</b>	<b>1,406,975</b>
<b>Total Assets</b>	<b>\$ 1,469,530</b>	<b>\$ 1,406,975</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 755,372	\$ 490,935
Credit Cards	38,659	-
Current Portion of Loans and Notes	101,024	-
Line of Credit	736,347	-
Other Current Liabilities	3,238	95,756
<b>Total Current Liabilities</b>	<b>1,634,641</b>	<b>586,690</b>
Promissory Notes and Loans	141,228	176,733
<b>Total Liabilities</b>	<b>1,775,869</b>	<b>763,424</b>
<b>STOCKHOLDERS EQUITY</b>		
Common Stock	417	412
Additional Paid in Capital	3,386,321	1,797,605
Retained Earnings/(Accumulated Deficit)	(3,693,077)	(1,154,465)
<b>Total Stockholders' Equity</b>	<b>(306,339)</b>	<b>643,552</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,469,530</b>	<b>\$ 1,406,975</b>

*See accompanying notes to financial statements.*



**HIGHLINE WELLNESS INC.**  
**STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

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<b>For Fiscal Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
Net Revenue	\$ 4,533,245	\$ 3,877,824
Cost of Goods Sold	1,845,872	1,352,657
Gross profit	2,687,373	2,525,167
Operating expenses		
General and Administrative	4,469,306	2,355,896
Research and Development	194,175	164,664
Sales and Marketing	332,124	419,981
Total operating expenses	4,995,605	2,940,540
Operating Income/(Loss)	(2,308,232)	(415,373)
Interest Expense	261,680	-
Other Loss/(Income)	(31,301)	(4,000)
Income/(Loss) before provision for income taxes	(2,538,612)	(411,374)
Provision/(Benefit) for income taxes	-	-
<b>Net Income/(Net Loss)</b>	<b>\$ (2,538,612)</b>	<b>\$ (411,374)</b>

*See accompanying notes to financial statements.*

**HIGHLINE WELLNESS INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(in , \$US)	Common Stock		Additional Paid In Capital	Retained earnings/ (Accumulated Deficit)	Total Shareholder Equity
	Shares	Amount			
<b>Balance—December 31, 2019</b>	4,000,000	\$ 400	\$ 1,235,463	\$ (743,091)	\$ 492,772
Issuance of Stock	119,050	12	556,002		556,014
Share-Based Compensation			6,140		6,140
Net income/(loss)				(411,374)	(411,374)
<b>Balance—December 31, 2020</b>	4,119,050	412	1,797,605	\$ (1,154,465)	\$ 643,552
Issuance of Stock	46,242	5	1,582,485		1,582,489
Share-Based Compensation			6,231		6,231
Net income/(loss)				(2,538,612)	(2,538,612)
<b>Balance—December 31, 2021</b>	<b>4,165,292</b>	<b>\$ 417</b>	<b>\$ 3,386,321</b>	<b>\$ (3,693,077)</b>	<b>\$ (306,339)</b>

*See accompanying notes to financial statements.*

**HIGHLINE WELLNESS INC.**  
**STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

For Fiscal Year Ended December 31,	2021	2020
(USD \$ in Dollars)		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ (2,538,612)	\$ (411,374)
<i>Adjustments to reconcile net income to net cash provided/(used) by operating activities:</i>		
Share-based Compensation	6,231	6,140
Changes in operating assets and liabilities:		
Accounts receivable, net	23,667	(135)
Inventory	(85,972)	(311,833)
Prepays and Other Current Assets	242,617	(356,676)
Due from Related Parties	(186,711)	(8,284)
Accounts Payable	264,437	375,108
Credit Cards	38,659	-
Other Current Liabilities	(92,518)	52,203
<b>Net cash provided/(used) by operating activities</b>	<b>(2,328,201)</b>	<b>(654,851)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	-
<b>Net cash provided/(used) in investing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital Contribution	1,582,489	556,014
Line of Credit	736,347	-
Borrowing on Promissory Notes and Loans	65,519	176,733
<b>Net cash provided/(used) by financing activities</b>	<b>2,384,355</b>	<b>732,747</b>
Change in Cash	56,155	77,896
Cash—beginning of year	319,189	241,293
<b>Cash—end of year</b>	<b>\$ 375,344</b>	<b>\$ 319,189</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 261,680	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES</b>		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Issuance of equity in return for note	-	-
Issuance of equity in return for accrued payroll and other liabilities		

*See accompanying notes to financial statements.*

**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**1. NATURE OF OPERATIONS**

Highline Wellness Inc. was incorporated on October 8, 2018 in the state of Delaware. The financial statements of Highline Wellness Inc. (which may be referred to as the “Company”, “we”, “us”, or “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s headquarters are located in New York, New York.

Highline Wellness is on a mission to make a more pleasant, chiller world, one dose at a time. A fast-growing, D2C CBD company providing elevated remedies for every moment of your day, Highline’s exceptionally effective CBD gummies, oils, topicals and skincare will leave your mind and body completely restored. With products performing at an unmatched quality, the brand’s commitment to revolutionizing, while simplifying, the ever-expanding market, allows everyone the chance to elevate their ease anytime, anywhere.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

**Use of Estimates**

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash in banks. The Company’s cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company’s cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2021 and December 31, 2020, the Company’s cash and cash equivalents exceeded FDIC insured limits by \$125,344 and \$69,189, respectively.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at net realizable value or the amount that the Company expects to collect on gross customer trade receivables. We estimate losses on receivables based on known troubled accounts and historical experience of losses incurred. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2021 and 2020, the Company determined that no reserve was necessary.

**Inventories**

Inventories are valued at the lower of cost and net realizable value. Costs related to finished goods which are determined using an average method.

**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**Income Taxes**

Highline Wellness Inc. is a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

*Concentration of Credit Risk*

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

**Revenue Recognition**

The Company recognizes revenues in accordance with FASB ASC 606, Revenue from Contracts with Customers, when delivery of goods is the sole performance obligation in its contracts with customers. The Company typically collects payment upon sale and recognizes the revenue when the item has shipped and has fulfilled its sole performance obligation.

Revenue recognition, according to Topic 606, is determined using the following steps:

1) Identification of the contract, or contracts, with the customer: the Company determines the existence of a contract with a customer when the contract is mutually approved; the rights of each party in relation to the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the capacity and intention to pay and the contract has commercial substance.

2) Identification of performance obligations in the contract: performance obligations consist of a promised in a contract (written or oral) with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3) Recognition of revenue when, or how, a performance obligation is met: revenues are recognized when or as control of the promised goods or services is transferred to customers.

The Company earns revenues from the sale of elevated remedies, effective CBD gummies, oils, topicals and skincare products.

**Cost of sales**

Costs of goods sold include the cost of goods, ingredients packaging, supplies, and the cost of retail product.

**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**Advertising and Promotion**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2021 and December 31, 2020 amounted to \$332,124 and \$419,981, which is included in sales and marketing expenses.

**Research and Development Costs**

Costs incurred in the research and development of the Company's products are expensed as incurred.

**Stock-Based Compensation**

The Company accounts for stock-based compensation to both employee and non-employees in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

**Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

**Level 1**—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2**—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

**Level 3**—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**COVID-19**

In March 2020, the outbreak and spread of the COVID-19 virus was classified as a global pandemic by the World Health Organization. This widespread disease impacted the Company's business operations, including its employees, customers, vendors, and communities. The COVID-19 pandemic may continue to impact the Company's business operations and financial operating results, and there is substantial uncertainty in the nature and degree of its continued effects over time.

The extent to which the pandemic impacts the business going forward will depend on numerous evolving factors management cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact consumer and business spending on products as well as customers' ability to pay for products and services on an ongoing basis. This uncertainty also affects



**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including investments, receivables, and forward-looking guidance.

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through September 19, 2022, which is the date the financial statements were issued.

**Recently Issued and Adopted Accounting Pronouncements**

FASB issued ASU No. 2019-02, leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

**3. INVENTORY**

Inventory consists of the following items:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Finished goods	668,657	582,685
<b>Total Inventory</b>	<b>\$ 668,657</b>	<b>\$ 582,685</b>

**4. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Account receivables consist primarily of trade receivables and accounts payable consist primarily of trade payables. Prepaid and other current assets consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Prepaid Expenses	190,649	405,217
Shopify Clearing	33,084	61,756
Tax prepayment	624	-
<b>Total Prepays and Other Current Assets</b>	<b>\$ 224,356</b>	<b>\$ 466,973</b>

**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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Other current liabilities consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Gift card	3,238	650
Accrued expenses		75,000
Sales Tax Payable		20,106
<b>Total Other Current Liabilities</b>	<b>\$ 3,238</b>	<b>\$ 95,756</b>

## **5. CAPITALIZATION AND EQUITY TRANSACTIONS**

### **Common Stock**

The Company is authorized to issue 10,000,000 shares of Common Shares with a par value of \$0.0001. As of December 31, 2021, and December 31, 2020, 3,515,292 shares of Common Stock have been issued and are outstanding.

## **6. SHAREBASED COMPENSATION**

During 2018, the Company authorized the Stock Option Plan (which may be referred to as the "Plan"). The Company reserved 2,500,000 shares of its Common Stock pursuant to the Plan, which provides for the grant of shares of stock options, stock appreciation rights, and stock awards (performance shares) to employees, non-employee directors, and non-employee consultants. The option exercise price generally may not be less than the underlying stock's fair market value at the date of the grant and generally have a term of three years. The amounts granted each calendar year to an employee or nonemployee is limited depending on the type of award.

### *Stock Options*

The Company granted stock options. The stock options were valued using the Black-Scholes pricing model with a range of inputs indicated below:

<b>As of Year Ended December 31,</b>	<b>2021</b>
Expected life (years)	10.00
Risk-free interest rate	2.50%
Expected volatility	75%
Annual dividend yield	0%

The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee stock options.

The expected term of employee stock options is calculated using the simplified method which takes into consideration the contractual life and vesting terms of the options.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public company's common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future stock option grants, until such time that the Company's common stock has enough market history to use historical volatility.



**HIGHLINE WELLNESS INC.****NOTES TO FINANCIAL STATEMENTS****FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

Management estimated the fair value of common stock based on recent sales to third parties. Forfeitures are recognized as incurred.

A summary of the Company's stock options activity and related information is as follows:

	Number of Awards	Weighted Average Exercise	Weighted Average Contract Term
Outstanding at December 31, 2019	1,522,041	\$ 0.01	-
Granted	326,865		
Excised	-		
Expired/Cancelled	-		-
Outstanding at December 31, 2020	1,848,906	\$ 0.01	1.94
Exercisable Options at December 31, 2020	1,848,906	\$ 0.01	1.94
Granted	156,378	\$ -	
Excised	-	\$ -	
Expired/Cancelled	-	\$ -	
Outstanding at December 31, 2021	2,005,284	\$ 0.01	1.71
Exercisable Options at December 31, 2021	2,005,284	\$ 0.01	1.71

Stock option expenses for the years ended December 31, 2021 and December 31, 2020 were \$6,231 and \$6,140, respectively.

**7. DEBT****Promissory Notes & Loans**

During the years presented, the Company entered into promissory notes & loans agreements. The details of the Company's loans, notes, and the terms are as follows:

Debt Instrument Name	Principal Amount	Interest Rate	Borrowing Period	Maturity Date	For the Year Ended December 2021					For the Year Ended December 2020				
					Interest Expense	Accrued Interest	Current Portion	Non-Current Portion	Total Indebtedness	Interest Expense	Accrued Interest	Current Portion	Non-Current Portion	Total Indebtedness
EDIL Loan	\$ 150,000	3.75%	5/16/2020	5/16/2050	\$ 5,625	\$ 9,154	\$ 8,772	\$ 141,228	\$ 150,000	\$ 3,529	\$ 3,529	\$ -	\$ 150,000	\$ 150,000
Kick further Consignment Agreement	\$ 303,075	12.00%	8/18/2021	On demand	\$ 13,452	\$ 13,452	\$ 92,252	\$ -	\$ 92,252	\$ -	\$ -	\$ -	\$ -	\$ -
PPP Loan	\$ 26,733	1.00%	4/30/2020	Forgiven in 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,733	\$ 26,733
<b>Total</b>					<b>\$ 19,077</b>	<b>\$ 22,606</b>	<b>\$ 101,024</b>	<b>\$ 141,228</b>	<b>\$ 242,252</b>	<b>\$ 3,529</b>	<b>\$ 3,529</b>	<b>\$ -</b>	<b>\$ 176,733</b>	<b>\$ 176,733</b>

The summary of the future maturities is as follows:

**As of Year Ended December 31, 2021**

2022	\$ 101,024
2023	14,123
2024	14,123
2025	14,123
2026	14,123
Thereafter	84,737
<b>Total</b>	<b>\$ 242,252</b>

**HIGHLINE WELLNESS INC.****NOTES TO FINANCIAL STATEMENTS****FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**Line of Credit**

The Company entered into a Growth Line of Credit Agreement with Ampla LLC during fiscal year 2021. The maximum line size is \$1,500,000 and the amount in which the Company can draw today is \$742,062. The applicable APR is 14%. The total outstanding balance as of December 31, 2021 and December 31, 2020 was \$736,347 and \$0, respectively. The entire balance is classified as current.

**8. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2021 and December 31, 2020 consists of the following:

As of Year Ended December 31,	2021	2020
Net Operating Loss	\$ (646,503)	\$ -
Valuation Allowance	646,503	-
<b>Net Provision for income tax</b>	<b>\$ -</b>	<b>\$ -</b>

Significant components of the Company's deferred tax assets and liabilities at December 31, 2021, and December 31, 2020 are as follows:

As of Year Ended December 31,	2021	2020
Net Operating Loss	\$ (835,861)	\$ (189,358)
Valuation Allowance	835,861	189,358
<b>Total Deferred Tax Asset</b>	<b>\$ -</b>	<b>\$ -</b>

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2021 and December 31, 2020. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2021, the Company had federal cumulative net operating loss ("NOL") carryforwards of \$3,039,494, and the Company had state net operating loss ("NOL") carryforwards of approximately \$3,039,494. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and will carry on indefinitely.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2021, and December 31, 2020, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2021, and December 31, 2020, the Company had no accrued interest and penalties related to uncertain tax positions.

**HIGHLINE WELLNESS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**9. RELATED PARTY**

During 2020, the Company founded a subsidiary called Reform Wellness. The reason the Company started this subsidiary was to sell a different type of product and to not dilute the Highline brand. The Company is financing their business operations of this subsidiary. As of December 31, 2021, and December 31, 2020, the amount due from Reform Wellness amounted to \$194,995 and \$8,284, respectively.

**10. COMMITMENTS AND CONTINGENCIES**

**Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

**Litigation and Claims**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

**11. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events for the period from December 31, 2021 through September 19, 2022, which is the date the financial statements were available to be issued.

On May 26, 2022, the Company entered into an agreement for the purchase and sale of future receipts with Bridge Capital Ventures. The purchase amount is \$560,000 and bears a specified rate of 15%.

On May 26, 2022, the Company entered into a revenue purchase agreement with NewCo Capital group. The purchase amount is \$400,000 and bears a specified rate of 15%.

During 2022, the Company issued 761,561 stock options from the 2018 Equity Incentive Plan.

There have been no other events or transactions during this time which would have a material effect on these financial statements.

**HIGHLINE WELLNESS INC.****NOTES TO FINANCIAL STATEMENTS****FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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**12. GOING CONCERN**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a net operating loss of \$2,308,232, an operating cash flow loss of \$2,328,201, and liquid assets in cash of \$375,344, which less than a year's worth of cash reserves as of December 31, 2021. These factors normally raise doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results.

Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. During the next twelve months, the Company intends to fund its operations through debt and/or equity financing.

There are no assurances that management will be able to raise capital on terms acceptable to the Company. If it is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned development, which could harm its business, financial condition, and operating results. The accompanying financial statements do not include any adjustments that might result from these uncertainties.