

Hemp for Health Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020

HEMP FOR HEALTH INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at	July 31, 2020	April 30, 2020
Assets		
Current		
Cash	\$ 662,316	\$ 714,421
Amounts receivable	32,406	58,223
Prepaid expenses and advances	143,926	197,282
Biological assets (note 5)	1,300,000	-
Total Current Assets	2,138,648	969,926
Non-Current assets		
Fixed assets	7,836	8,297
Long term receivable (note 4)	235,000	165,000
Total Assets	\$ 2,381,484	\$ 1,143,223
Liabilities		
Current		
Trade and other payables	\$ 435,743	\$ 97,707
Equity		
Share capital (note 6)	\$ 3,324,180	\$ 3,324,180
Reserves (note 6)	83,660	83,660
Accumulated deficit	(1,462,099)	(2,362,324)
Total Equity	1,945,741	1,045,516
Total Liabilities and Equity	\$ 2,381,484	\$ 1,143,223

Basis of preparation and going concern (note 2)

APPROVED ON BEHALF OF THE DIRECTORS:

“Robert Eadie”
Robert Eadie, Director

“Gary Arca”
Gary Arca, Director

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements

HEMP FOR HEALTH INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the three months ended July 31,	2020	2019
Revenue	\$ 38,180	-
Unrealized fair value adjustment on biological assets (note 5)	1,300,000	-
Capital costs of biological assets	(311,846)	
Gross Margin	1,026,334	-
Expenses:		
Audit and accounting (note 10)	6,150	\$ 67,420
Foreign exchange loss (gain)	(3,250)	20,253
Legal	11,311	-
Marketing and consulting	55,657	6,543
Office and administration (note 10)	16,971	29,024
Research and development (note 3)	-	418,118
Shareholder communication and marketing	21,967	3,885
Transfer agent and filing fees	2,295	13,834
Travel and accommodations	15,008	77,403
Total expenses	126,109	(636,480)
Income (Loss) before other items	900,225	(636,480)
Other income:		
Interest earned	-	6,145
Total income (loss) and comprehensive income (loss)	\$ 900,225	\$ (630,335)
Basic and diluted income (loss) per share	\$ 0.04	\$ (0.03)
Weighted average shares outstanding – basic and diluted - Note 7	24,162,001	18,686,218

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements

HEMP FOR HEALTH INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the three months ended July 31,	2020	2019
Cash provided by (used in):		
Operating activities		
Income (loss) for the period	\$ 900,225	\$ (630,335)
Items not involving cash:		
Amortization	461	231
Fair value adjustment on biological assets	(1,300,000)	-
Research and development	-	418,118
Interest earned	-	(3,901)
Cash generated by operating activities before working capital changes	(399,314)	(215,887)
Change in non-cash working capital items		
Amounts receivable	(44,183)	(5,166)
Crop cost advances	-	(404,485)
Prepaid expenses and advances	53,356	4,209
Trade and other payables	338,036	369,684
Cash outflow for operating activities	(52,105)	(251,645)
Financing activities		
Share issuance	-	242,000
Share issuance costs	-	(7,760)
Share subscription received	-	78,400
Cash inflow for financing activities	-	312,640
Investing activities		
Purchase of short-term investments	-	(800,000)
Purchase of fixed assets	-	(9,219)
Cash outflow for investing activity	-	(809,219)
Total decrease in cash	(52,105)	(748,224)
Cash, beginning of year	714,421	1,551,062
Cash, end of year	\$ 662,316	\$ 802,838

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements

HEMP FOR HEALTH INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Number of Shares Outstanding	Share Capital	Reserves	Accumulated Deficit	Total Equity
Balance – April 30, 2019	18,460,001	\$ 2,310,660	\$ 67,140	\$ (236,584)	\$ 2,141,216
Common shares issued pursuant to:					
- Private placement of \$0.20	1,210,000	242,000	-	-	242,000
- Share issuance costs	-	(12,760)	5,000	-	(7,760)
-					
- Loss for the period	-	-	-	(630,335)	(630,335)
Balance – July 31, 2019	19,670,001	\$ 2,539,900	\$ 72,140	\$ (866,919)	\$ 1,745,121
- Special warrants at \$0.20	392,000	78,400	-	-	78,400
- Private placement of \$0.20	4,100,000	820,000	-	-	820,000
- Share issuance costs	-	(114,120)	11,520	-	(102,600)
Loss for the period	-	-	-	(1,495,405)	(1,495,405)
Balance – April 30, 2020	24,162,001	3,324,180	83,660	(2,362,324)	1,045,516
Income (Loss) for the period	-	-	-	900,225	900,225
Balance – July 31, 2020	24,162,001	\$ 3,324,180	\$ 83,660	\$ (1,462,099)	\$ 1,945,741

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements

HEMP FOR HEALTH INC.
NOTES TO THE CONSENSUED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended July 31, 2020 and 2019
(Stated in Canadian Dollars)

Note 1 **Corporate Information**

Hemp for Health Inc. (the “Company”) was incorporated on October 1, 2018 under the *Business Corporations Act* of British Columbia as 1181427 B.C. Ltd, and changed its name to Euro Grow Ltd. on October 3, 2018. It did not commence operations until November 2, 2018. The Company changed its name again to Hemp for Health Inc. on May 3, 2019. The Company is listed on the Canadian Securities Exchange (the “CSE”) and the Company’s shares commenced trading on the CSE on November 1, 2019 under the trading symbol “HFH”. The Company is in the business of growing, processing, packaging and selling cannabidiol and related hemp based products in Europe. The Company set up a wholly-owned Italian subsidiary, Hemp For Health H4H s.r.l. (“H4Hsr1”) that operates the business interests in Italy.

The registered address of the Company’s corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 **Basis of Preparation and Going Concern**

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements, for the three month period ended July 31, 2020, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all the information required for full annual financial statement. For summary of significant accounting policies, see note 3 of the Company’s April 30, 2020 audited annual financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s April 30, 2020 audited annual financial statements.

The financial statements were authorized for issue by the Board of Directors on September 25, 2020.

b) Basis of Measurement and Going Concern

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except biological assets, which are measured at fair value, as explained in the Company’s accounting policies discussed in note 3 of the Company’s April 30, 2020 audited annual financial statements.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2020

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Note 2 Basis of Preparation and Going Concern – (cont'd)

b) Basis of Measurement and Going Concern – (cont'd)

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company's April 30, 2020 audited annual financial statements.

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company generated \$38,180 in gross revenue from operations and income of \$900,225 during the period ended July 31, 2020. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future. As at July 31, 2020, the Company had \$662,316 in cash, working capital of \$1,702,905 and no long-term debt.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary, which is controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

The Company's wholly-owned subsidiary, H4Hsrl, carries out its operations in Italy. All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation. Legal, corporate and foreign regulatory fees and taxes related to the Italian subsidiary are included in legal costs. All other expenses are included in the related expense categories, including office and administration.

The condensed interim consolidated financial statements are presented in Canadian dollars ("CDN"), which is the functional currency of the Company and its subsidiary.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

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Note 3 Crops costs

During the year ended April 30, 2020, the Company entered into agreements with various agricultural groups to cultivate and harvest hemp on behalf of the Company on up to 59 hectares of farmland. The agreements are for an initial 5 year period with an option to renew for 5 years. The payments to these farmers in the period ended July 31, 2020, have been fully expensed to cost of sales as they relate to the cost of the biological assets (note 5) and are considered utilized to achieve the value of the crops as at July 31, 2020.

During the year ended April 30, 2020, the Company engaged certain independent farmers and members of a farming co-operative in Tuscany, Italy to plant up to 100 hectares of hemp on behalf of the Company on a test basis using seeds provided by the Company. Advances to these farmers and co-operative were expensed as research and development, along with seed costs and consulting fees for a total of \$988,594, net of VAT taxes receivable. This is offset by \$49,267 of proceeds received on sale of the test crop biomass for a net expense of \$939,327 in the year ended April 30, 2020 (July 31, 2019 - \$418,118).

Note 4 Long Term Receivable

To the period ended July 31, 2020, \$235,000 (156,700 Euro) was paid for VAT in Italy and is receivable against future VAT paid.

Note 5 Biological Assets

The Company's biological assets consist of hemp plants. The continuity for biological assets for the three months ended July 31, 2020, is as follows:

Balance, April 30, 2020	\$	-
Fair value adjustment on biological assets		1,300,000
Balance, July 31, 2020	\$	1,300,000

Biological assets are valued in accordance with IAS 41 – Agriculture (“IAS 41”) and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily hemp plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). In valuing the hemp flower and biomass potential harvest, the Company used an average of unobservable input pricing of raw flower and hemp biomass containing at least 4.5% CBD oil content. While the Company may decide to further process the raw flower and harvest into pure CBD and/or isolate to increase its potential value, this has not been considered in the valuation of the raw material.

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. As at July 31, 2020, on average, the biological assets were 54% complete as to the next expected harvest date. During the three months ended July 31, 2020, the Company's biological assets produced 33,430 Kg of hemp flower and biomass.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2020

(Stated in Canadian Dollars) - Page 4

Note 5 Biological Assets – (cont'd)

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market. The significant assumptions used in determining the fair value of cannabis plants at July 31, 2020 include:

Assumption

Estimated sales price of biomass per kilogram	\$	1.30
Estimated sales price of dry flower per kilogram	\$	270.00
Weighted average stage of growth		54%
Expected average yield per hectare in kilograms		1,100
Wastage		5%

Note 6 Share Capital and Reservesa) Common share issuances

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. To date, equity financings have provided the main source of financing.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

During the year ended April 30, 2020, the Company issued the following shares:

- On March 10, 2020, the Company completed a private placement, issuing 4,100,000 units priced at \$0.20 per unit, for gross proceeds of \$820,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 2,050,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of \$0.30 per share.

The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Cash payments totalling \$57,600 and 144,000 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees.

Share issue costs include \$11,520 calculated as the fair value of the finder's warrants. The fair value of finder's warrants was determined using the Black-Scholes model with the following assumptions:

	March 10, 2020	May 6, 2019
Stock price	\$0.20	\$0.20
Exercise price	\$0.30	\$0.30
Dividend rate	0%	0%
Expected life	2 Years	2 Years
Expected annual volatility	100.00%	125.00%
Risk-free rate	0.30%	2.14%

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July 31, 2020

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Note 6 Share Capital and Reserves – (cont'd)a) Common share issuances – (cont'd)

- On May 6, 2019, the Company closed a final tranche of a financing and issued 1,210,000 units priced at \$0.20 per unit, for gross proceeds of \$242,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 605,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of \$0.30 per share.

The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Cash payments totalling \$7,760 and 38,800 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees. Share issue costs include \$5,000 calculated as the fair value of the finder's warrants. The fair value of finder's warrants was determined using the Black-Scholes model with the assumptions above.

- In November, 2019, the Company issued 392,000 special warrant units priced at \$0.20 per special warrant, for gross proceeds of \$78,400. Each special warrant unit was converted into one common share of the Company and one-half of one share purchase warrant for 196,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of \$0.30 per share. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. No finders' fees were paid.

b) Warrants

A summary of the Company's outstanding share purchase warrants at July 31, 2020, April 30, 2020 and April 30, 2019 is presented below:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2019	6,476,000	0.30
Warrants issued	3,033,800	0.30
Balance, April 30, 2020	9,509,800	0.30
Warrants issued	-	-
Outstanding at July 31, 2020	9,509,800	\$ 0.30

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Warrants	Exercise Price	Expiry Date
6,476,000	\$0.30	April 26, 2021
643,800	\$0.30	May 6, 2021
196,000	\$0.30	November 5, 2021
2,194,000	\$0.30	March 10, 2022
9,509,800	\$0.30	

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Notes to the Condensed Interim Consolidated Financial Statements

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(Stated in Canadian Dollars) - Page 6

Note 6 **Share Capital and Reserves – (cont'd)**c) Share-Based Payments

The Company's Board has adopted a Stock Option Plan available to eligible directors, officers, employees and consultants to acquire up to 10% of common shares then outstanding (the "Plan"). Under the Plan, options may be granted by the Board at an option price in accordance with regulatory policy for a maximum term of 10 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest at the discretion of the Company and in accordance with regulatory policy. No share purchase options were granted during the period ended July 31, 2020.

Note 7 **Income (Loss) Per Share**

The denominator for the calculation of loss per share, being the weighted average number of common shares for the period ended July 31, 2020 and 2019 is as follows:

<u>For the period ending July 31,</u>	<u>2020</u>	<u>2019</u>
Issued and outstanding, beginning of the period	24,162,001	18,460,001
Weighted average shares issued during the period	-	226,217
Basic and diluted weighted average number of shares	24,162,001	18,686,218

Note 8 **Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Note 9 **Financial Instruments**

As at July 31, 2020, the Company's financial instruments consist of cash, amounts receivable and trade and other payables. The fair value of the Company's amount receivable and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation. The Company's cash is carried at FVTPL, where fair value is calculated in accordance with level 1 of the fair value hierarchy.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2020

(Stated in Canadian Dollars) - Page 7

Note 9 Financial Instruments – (cont'd)

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2020, US dollar amounts were converted at a rate of \$1.3411 Canadian dollars to \$1 US dollar and Euro were converted at a rate of \$1.5812 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange may increase or decrease loss for the period by approximately \$4,406. A 10% increase or decrease in the EUR\$ exchange rate will decrease or increase loss for the period by approximately \$59,287.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. 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; and ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at July 31, 2020 is \$662,316 (April 30, 2020 – \$714,421). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at July 31, 2020, the Company was holding cash of \$662,316 (April 30, 2020 – \$714,421).

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

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(Stated in Canadian Dollars) - Page 8

Note 10 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the period ended July 31, 2020 and 2019:

Period ended July 31,	2020	2019
Audit and accounting	\$ 3,750	\$ 3,750
Office and administration	3,750	3,750
Total	\$ 7,500	\$ 7,500

During the three months ended July 31, 2020, the Company incurred operational expenses totalling \$7,500 (July 31, 2019: \$7,500) from companies controlled by the chief financial officer and director of the Company.