

Hemp for Health Inc.

Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2021

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

As at	October 31, 2021	April 30, 2021
Assets		
Current		
Cash	\$ 2,544	\$ 12,348
Amounts receivable (note 4)	2,282	593
Prepaid expenses and advances (note 4)	11,979	11,979
Total Current Assets	16,805	24,920
Non-Current assets		
Fixed assets	5,531	6,453
Total Assets	\$ 22,336	\$ 31,373
Liabilities		
Current		
Trade and other payables (notes 10 and 11)	\$ 538,145	\$ 211,523
Advances payable (notes 5 and 11)	342,200	282,500
Total Liabilities	880,345	494,023
Equity (Deficiency)		
Share capital (notes 6 and 11)	3,324,180	3,324,180
Reserves (note 6)	83,660	83,660
Accumulated deficit	(4,265,849)	(3,870,490)
Total Equity (Deficiency)	(858,009)	(462,650)
Total Liabilities and Equity (Deficiency)	\$ 22,336	\$ 31,373

Basis of preparation and going concern (note 2)
Subsequent events (notes 3, 5, 6 and 11)

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 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 October 31,		For the six months ended October 31,	
	2021	2020	2021	2020
Expenses:				
Audit and accounting fees (note 10)	\$ 10,214	\$ 4,650	\$ 13,214	\$ 10,800
Foreign exchange loss (gain)	(4)	14,077	99	10,827
Legal and corporate services	-	34,391	3,916	45,702
Management and consulting fees (note 10)	16,500	-	33,000	-
Marketing	-	75,400	-	131,057
Office, rent and administration (note 10)	8,992	26,204	23,241	43,175
Research and development (note 3)	310,734	306,643	310,734	580,309
Shareholder communication	2,703	5,623	4,386	27,590
Transfer agent and filing fees	4,519	4,564	6,769	6,859
Travel and accommodations	-	23,597	-	38,605
Total expenses	353,658	495,149	395,359	894,924
Total loss and comprehensive loss for the period	\$ (353,658)	\$ (495,149)	\$ (395,359)	\$ (894,924)
Basic and diluted loss per share for the period	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average shares outstanding – basic and diluted - Note 7	24,162,001	24,162,001	24,162,001	24,162,001

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

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

For the six months ended October 31,	2021	2020
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (395,359)	\$ (894,924)
Items not involving cash:		
Amortization	922	922
Cash generated by operating activities before working capital changes	(394,437)	(894,002)
Change in non-cash working capital items		
Amounts receivable	(1,689)	(50,778)
Prepaid expenses and advances	-	14,363
Trade and other payables	326,622	270,126
Cash outflow for operating activities	(69,504)	(660,291)
Financing activities		
Advances payable	59,700	-
Cash inflow for financing activities	59,700	-
Total decrease in cash	(9,804)	(660,291)
Cash, beginning of period	12,348	714,421
Cash, end of period	\$ 2,544	\$ 54,130

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

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

	Number of Shares Outstanding	Share Capital	Reserves	Accumulated Deficit	Total Equity (Deficiency)
Balance – April 30, 2020	24,162,001	3,324,180	83,660	(2,362,324)	1,045,516
Loss for the period	-	-	-	(894,924)	(894,924)
Balance – October 31, 2020	24,162,001	3,324,180	83,660	(3,257,248)	150,592
Loss for the period	-	-	-	(613,242)	(613,242)
Balance – April 30, 2021	24,162,001	3,324,180	83,660	(3,870,490)	(462,650)
Loss for the period	-	-	-	(395,359)	(395,359)
Balance – October 31, 2021 (note 11)	24,162,001	\$ 3,324,180	\$ 83,660	\$ (4,265,849)	\$ (858,009)

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

HEMP FOR HEALTH INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended October 31, 2021 and 2020
(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. The Company is listed on the Canadian Securities Exchange (the “CSE”) and the Company’s shares commenced trading on the CSE 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. (“H4Hsrl”) 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 six month period ended October 31, 2021, 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, 2021 audited annual financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s April 30, 2021 audited annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 22, 2021.

b) Basis of Measurement and Going Concern

The unaudited condensed consolidated financial statements have been prepared on a historical cost basis, except for cashflow information.

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, 2021 audited annual financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements

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

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

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 has not generated revenue from operations and incurred a loss of \$395,359 during the period ended October 31, 2021. 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 October 31, 2021, the Company had \$2,544 in cash, working capital deficit of \$863,540 and no long-term debt.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. 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.

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Notes to the Condensed Interim Consolidated Financial Statements

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Note 3 Research and Development - 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 150 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 are fully expensed to research and development as the Company is still testing plant strains and has no significant revenue.

During the period ended October 31, 2021, research and development costs were \$310,734 (including VAT taxes due to uncertainty of recovery – see note 4), with respect to the planting of 20 hectares in 2021, including seedling costs of \$148,500 (103,700 Euro) and the remainder being crop costs from the farmers. This crop was harvested subsequent to the quarter end and any revenue realized from this crop will be credited against the research and development costs as realized. During the period ended October 31, 2020, the Company expensed crop costs as research and development, along with seed costs and consulting fees for a total of \$618,489, excluding VAT taxes incurred (see note 4). This is offset by \$38,180 of proceeds received on sale of the test crop biomass for a net expense of \$580,309.

Note 4 Amounts Receivable and Prepaid Expenses and Advances

During the years ended April 30, 2021 and 2020, \$317,824 (211,221 Euro) was paid for VAT taxes in Italy and is receivable against future VAT paid. (April 30, 2020 - \$165,000 (112,640 Euro)). During the year ended April 30, 2021, management determined that there is uncertainty of recovery of these amounts without significant revenues or operations in Italy and, therefore, has written down the receivable to nil. Management will continue to apply for the refund of these taxes under Italian tax guidelines and may use these credits to offset any VAT payable on future sales. Additional VAT taxes paid or accrued in the current period ended October 31, 2021, have been directly expensed to the related expenditure.

Also, during the prior year ended April 30, 2020, the Company advanced 50,000 Euro (CAD\$73,897) to a potential distribution partner as a loan. Management has determined that there is an uncertainty of recovery of this loan and has written it down to nil.

Note 5 Advances Payable

The Company had signed a letter of intent (“LOI”) with Pacific Hemp Company Pty Ltd. (“PHC”), whereby the Company would acquire 100% of the outstanding shares of PHC. The LOI expired on May 17, 2021, as PHC was unable to meet its minimum obligations. PHC advanced the Company a 60 day refundable deposit pursuant to the extension of the original agreement to May 17th, 2021 of \$152,500 (100,000 Euros). This amount remains outstanding to PHC and was settled by the issuance of 3,050,000 shares at \$0.05 per share subsequent to October 3, 2021 (see note 11).

During the period ending October 31, 2021, the Company was advanced \$189,700, including \$14,700 by the CFO and director of the Company and companies controlled by him, as non-interest bearing advances due on demand. \$187,000 of these advances were settled by the issuance of 3,740,000 shares at \$0.05 per share subsequent to October 3, 2021 (see note 11).

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Note 6 Share Capital and Reserves

a) 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.

b) Warrants

A summary of the Company's outstanding share purchase warrants at October 31, 2021, April 30, 2021 and April 30, 2020 is as follows:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2020	9,509,800	0.30
Warrants expired	(746,000)	0.30
Balance, April 30, 2021	8,763,800	\$ 0.30
Warrants expired	(38,800)	0.30
Balance, October 31, 2021	8,725,000	\$ 0.30

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

Number of Warrants	Exercise Price	Expiry Date
196,000	\$0.30	November 5, 2021
5,730,000	\$0.30	April 26, 2022 ⁽¹⁾
605,000	\$0.30	May 6, 2022 ⁽¹⁾
2,194,000	\$0.30	March 10, 2022
8,725,000	\$0.30	

¹ 6,335,000 warrants were extended from April 26 and May 6, 2021 to April 26 and May 6, 2022.

During the period ended October 31, 2021, 38,800 warrants expired unexercised. Subsequent to October 31, 2021, 196,000 warrants exercisable at \$0.30 per share, expired unexercised.

b) 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 have been granted in prior periods and none were granted during the period ended October 31, 2021.

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Note 7 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares for the period ended October 31, 2021 and 2020 is as follows:

For the period ending October 31,	2021	2020
Issued and outstanding, beginning of the period	24,162,001	24,162,001
Weighted average shares issued during the period	-	-
Basic and diluted weighted average number of shares	24,162,001	24,162,001

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 (deficiency) 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 October 31, 2021, the Company's financial instruments consist of cash, amounts receivable, advances payable, and trade and other payables. The fair value of the Company's amount receivable, advances payable, 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.

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 October 31, 2021, US dollar amounts were converted at a rate of \$1.2389 Canadian dollars to \$1 US dollar and Euro were converted at a rate of \$1.4322 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 \$7. A 10% increase or decrease in the EUR\$ exchange rate will decrease or increase loss for the period by approximately \$5,365.

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(Stated in Canadian Dollars) - Page 6

Note 9 Financial Instruments – (cont'd)

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 October 31, 2021. 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 October 31, 2021 is \$2,544 (April 30, 2021 – \$12,348). 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 October 31, 2021, the Company was holding cash of \$2,544 (April 30, 2021 – \$12,348).

Note 10 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the period ended October 31, 2021 and 2020:

<u>Period ended October 31,</u>	<u>2021</u>	<u>2020</u>
Audit and accounting	\$ 3,000	\$ 6,000
Management fees	33,000	-
Office and administration	16,416	7,000
Total	\$ 52,416	\$ 13,000

During the six months ended October 31, 2021, the Company incurred fees and operational expenses totalling \$52,416 (October 31, 2020: \$13,000) from companies controlled by an officer and director of the Company and by another officer and director. As of October 31, 2021, the Company had amounts payable to officers and directors, and companies with directors in common of \$87,998 (April 30, 2021: \$50,789) (see note 11).

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(Stated in Canadian Dollars) - Page 7

Note 11 Subsequent Events

Consolidation

On December 2, 2021, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share (the "Consolidation"). Prior to the consolidation, the Company's authorized share capital was an unlimited number of common shares without par value, of which 24,162,001 shares were issued and outstanding, with a further 8,529,000 shares reserved for issuance upon the exercise of outstanding warrants. Upon completion of the share consolidation, there were 12,081,000 common shares issued and outstanding, subject to further share issuances, post-consolidation, as discussed below pursuant to the financing and the settlement of debts. Subsequent to the consolidation and the share issuances noted below under the "Financing" and "Debt Settlement", there are 33,533,500 post consolidated common shares outstanding and 11,509,500 Warrants expiring from April 2022 to December 2023, exercisable at prices between \$0.10 and \$0.60 per share.

Financing

In conjunction with the above, the Company will be raising up to \$1.2 million through the issuance of up to 24,000,000 units ("Unit") at a price of \$0.05 per Unit. Each Unit will consist of one post-consolidated share and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one post-consolidated common share of the Company at a price of \$0.10 per share for a period of 2 years, provided that in the event the closing price of the Company's Shares is equal to or greater than \$0.20 per share for 30 consecutive trading days at any time following four months after the date of closing, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

On December 10, 2021, the Company closed Tranche 1 of its non-brokered private placement, raising \$672,500 in gross proceeds through the issuance of 13,450,000 units at a price of \$0.05 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant on the terms described above.

Aggregate compensation of \$52,000 and 520,000 finders' warrants (having the same general terms as the Warrants forming part of the Units) was paid by the Company as finders' fees.

Debt Settlement

Subsequent to consolidation of the Company shares on December 2, 2021, the Company issued 8,002,500 post-consolidated shares in full settlement of outstanding debt in the aggregate amount of \$400,125, representing \$60,625 in fees and \$339,500 in advances owing. Included in this were 1,452,500 shares issued to officers and directors for outstanding fees and advances \$72,625.

Related Party Advances

Subsequent to October 31, 2021, the CEO and director of the Company advanced 260,000 Euros (approximately \$372,400) to the Company's Italian subsidiary, H4Hsrl, to pay certain crop costs and administrative expenses of H4Hsrl. These advances are non-interest bearing and are due on demand.