

Hemp for Health Inc.

Condensed Interim Consolidated Financial Statements

For the nine months ended January 31, 2020

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

As at	January 31, 2020	April 30, 2019
Assets		
Current		
Cash	\$ 306,632	\$ 1,551,062
Short-term investments (note 3)	101,003	-
Taxes receivable	181,107	13,954
Crop cost advances (note 4)	-	388,527
Prepaid expenses and advances	298,337	218,950
Total Current Assets	887,079	2,172,493
Non-Current assets		
Fixed assets	8,528	-
Total Assets	\$ 895,607	\$ 2,172,493
Liabilities		
Current		
Trade and Other Payables	\$ 75,771	\$ 31,277
Equity		
Share capital (note 5)	\$ 2,618,300	\$ 2,310,660
Reserves (note 5)	72,140	67,140
Accumulated deficit	(1,870,604)	(236,584)
Total Equity	819,836	2,141,216
Total Liabilities and Equity	\$ 895,607	\$ 2,172,493

Basis of preparation and going concern (note 2)
Subsequent events (notes 3, 4 and 10)

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 January 31,		For the nine months ended January 31,	
	2020	2019	2020	2019
Expenses:				
Audit and accounting (notes 2 and 9)	\$ 22,525	\$ -	\$ 41,325	\$ -
Foreign exchange loss (gain)	2,721	(500)	18,777	(500)
Legal (notes 2 and 9)	61,751	17,790	186,183	17,790
Management fees (note 9)	15,000	-	45,000	-
Office and administration (notes 2 and 9)	14,114	900	74,087	900
Research and development (note 4)	90,800	25,000	914,307	25,000
Shareholder communication and marketing	149,608	3,367	174,184	3,367
Transfer agent and filing fees	2,712	585	27,646	585
Travel and accommodations	38,927	51,349	163,371	51,349
Total expenses	398,158	98,491	1,644,880	98,491
Other income:				
Interest earned	(1,540)	-	(10,860)	-
Total loss and comprehensive loss for the period	\$ (396,618)	\$ (98,491)	\$ (1,634,020)	\$ (98,491)
Basic and diluted loss per share for the period	\$ (0.02)	\$ (0.02)	\$ (0.08)	\$ (0.02)
Weighted average shares outstanding – basic and diluted - Note 6	19,972,523	4,766,264	19,744,537	4,766,264

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 nine months ended January 31,	2020	2019
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (1,634,020)	\$ (98,491)
Items not involving cash:		
Amortization	691	-
Interest earned	(1,003)	-
Research and development expense	388,527	-
Cash generated by operating activities before working capital changes	(1,245,805)	(98,491)
Change in non-cash working capital items		
Amounts receivable	(167,153)	(352)
Prepaid expenses and advances	(79,387)	(7,675)
Trade and other payables	44,494	-
Cash outflow for operating activities	(1,447,851)	(106,518)
Financing activities		
Share issuance	320,400	225,000
Share issuance costs	(7,760)	-
Cash inflow for financing activities	312,640	225,000
Investing activities		
Purchase of short-term investments	(100,000)	-
Purchase of fixed assets	(9,219)	-
Cash outflows for investing activities	(109,219)	-
Total (decrease) / increase in cash	(1,244,430)	118,482
Cash, beginning of period	1,551,062	-
Cash, end of period	\$ 306,632	\$ 118,482

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 – October 1, 2018	1	\$ -	\$ -	\$ -	\$ -
Common shares issued pursuant to:					
- Private placement of \$0.01	1,500,000	15,000	-	-	15,000
- Issued as fees at \$0.01	1,500,000	15,000	-	-	15,000
- Private placement of \$0.05	3,700,000	185,000	-	-	185,000
- Private placement of \$0.10	100,000	10,000	-	-	10,000
Loss for the year	-	-	-	(98,491)	(98,491)
Balance – January 31, 2019	6,800,001	225,000	-	(98,491)	126,509
Common shares issued pursuant to:					
- Private placement of \$0.05	200,000	10,000	-	-	10,000
- Private placement of \$0.20	11,460,000	2,292,000	-	-	2,292,000
Share issuance costs	-	(216,340)	67,140	-	(149,200)
Loss for the year	-	-	-	(138,093)	(138,093)
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
- Special warrants at \$0.20	392,000	78,400	-	-	78,400
Share issuance costs	-	(12,760)	5,000	-	(7,760)
Loss for the period	-	-	-	(1,634,020)	(1,634,020)
Balance – January 31, 2020	20,062,001	\$ 2,618,300	\$ 72,140	\$ (1,870,604)	\$ 819,836

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

HEMP FOR HEALTH INC.
NOTES TO THE CONSENSSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended January 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 Italy. 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 period ended January 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.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s April 30, 2019 audited annual financial statements. The financial statements were authorized for issue by the Board of Directors on March 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, 2019 audited annual financial statements.

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, 2019 audited annual financial statements.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

January 31, 2020

(Stated in Canadian Dollars) - Page 2

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

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

The Company has not generated revenue from operations. The Company incurred a loss of \$1,634,020 during the period ended January 31, 2020. 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. 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 January 31, 2020, the Company had \$306,632 in cash, \$101,003 in short-term investments, working capital of \$811,308 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, H4HsrI, 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 audit and accounting and office and administration.

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

Note 3 Short-term investments

At January 31, 2020, the Company held a Guaranteed Investment Certificate ("GIC") denominated in Canadian Dollars with a market value of \$101,003 (April 30, 2019 - \$Nil), earning interest income at 2% per annum and maturing on July 30, 2020. Subsequent to the period ending January 31, 2020, the GIC was redeemed.

These GIC's are cashable at the Company's option and are considered to be highly liquid. The Company's short-term investments are held in one financial institution and as such as the Company is exposed to the risks of only that financial institution.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

January 31, 2020

(Stated in Canadian Dollars) - Page 3

Note 4 Research and development – farm and crops

During the year ended April 30, 2019, 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.

In accordance with the terms of agreements, during the year ended April 30, 2019, the Company advanced 256,200 Euros, including VAT tax, and a further 256,200 Euros, including VAT tax, in July 2019 for a total of \$774,441, to be applied against costs for the hemp planting by the farming co-operative. An additional 112,240 Euros, including VAT tax, for a total of \$166,426 was paid to other farmers to be applied against costs for hemp planting, cultivation and harvest.

The co-operative agreement was terminated by the Company during the period ended January 31, 2020. Subsequent to January 31, 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.

During the period ending January 31, 2020, the above advances were spent on planting of crops and was expensed as research and development, along with seed costs and any related crop costs paid to farmers and the farming co-operative for a total of \$874,195, net of VAT taxes receivable.

Note 5 Share capital and Equity reserve

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.

During the period ended January 31, 2020, the Company issued the following shares:

- On May 6, 2019, the Company closed a second tranche of the 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

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Notes to the Condensed Interim Consolidated Financial Statements

January 31, 2020

(Stated in Canadian Dollars) - Page 4

Note 5 Share capital and Equity reserve – (cont'd)a) Common share issuances – (cont'd)

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 following assumptions:

Stock price	\$0.20
Exercise price	\$0.30
Dividend rate	0%
Expected life	2 Years
Expected annual volatility	125.00%
Risk-free rate	2.14%

- During the period ending January 31, 2020, the Company issued 392,000 special warrants 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.

During the year ended April 30, 2019, the Company:

- Completed a private placement in November, 2018, for aggregate proceeds of \$15,000 through the issuance of 1,500,000 shares at \$0.01 per share.
- Issued 1,500,000 shares at a value of \$0.01 per share for fees relating to farm crops and consulting services to non-related parties.
- Completed private placements in December, 2018, issuing 3,900,000 shares at a price of \$0.05 per share for proceeds of \$195,000 and through the issuance of 100,000 shares at a price of \$0.10 per share for proceeds of \$10,000.
- Closed the first tranche of a private placement on April 26, 2019, issuing 11,460,000 units priced at \$0.20 per unit, for gross proceeds of \$2,292,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 5,730,000 whole warrants, with each whole 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 \$149,200 and 746,000 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees.

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Note 5 Share capital and Equity reserve – (cont'd)a) Common share issuances – (cont'd)

Share issue costs include \$67,140 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:

Stock price	\$0.20
Exercise price	\$0.30
Dividend rate	0%
Expected life	2 Years
Expected annual volatility	100.00%
Risk-free rate	2.14%

b) Warrants

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

	Number of warrants	Weighted average exercise price
Balance January 31, 2019	-	\$ -
Warrants issued	6,476,000	0.30
Balance, April 30, 2019	6,476,000	0.30
Warrants issued	839,800	0.30
Outstanding at January 31, 2020	7,315,800	\$ 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 11, 2021
7,315,800	\$0.30	

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 January 31, 2020.

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Note 6 Loss Per Share

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

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2020	2019	2020	2019
Issued and outstanding, beginning of the period	19,670,001	-	18,460,001	-
Weighted average shares issued during the period	302,522	4,766,264	1,284,536	4,766,264
Basic and diluted weighted average number of shares	19,972,523	4,766,264	19,744,537	4,766,264

Note 7 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 8 Financial Instruments

As at January 31, 2020, the Company's financial instruments consist of cash, short-term investments, amounts receivable and trade and other payables. The fair value of the Company's cash 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.

a) **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 January 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.

HEMP FOR HEALTH INC.

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Note 8 Financial Instruments – (cont'd)

b) 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 and short-term investments, the balance of which at January 31, 2020 is \$306,632 (April 30, 2019 – \$1,551,062) and \$101,003 (April 30, 2019 - \$Nil) respectively. As at that date, cash and short-term investments were 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 January 31, 2020, the Company was holding cash and short-term investments of \$306,632 (April 30, 2019 – \$1,551,062) and \$101,003 (April 30, 2019 - \$Nil) respectively.

Note 9 Related Party Transactions

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

<u>Year ended January 31,</u>	<u>2020</u>	<u>2019</u>
Audit and accounting	\$ 11,250	\$ -
Management fees	45,000	-
Office and administration	11,250	-
<u>Total</u>	<u>\$ 67,500</u>	<u>\$ -</u>

During the nine months ended January 31, 2020, the Company incurred operational expenses totalling \$67,500 (January 31, 2019: \$nil) from companies controlled by the chief financial officer and director of the Company.

Note 10 Subsequent Event

Subsequent to the period ended January 31, 2020, the Company closed the first tranche of its non-brokered private placement, raising \$1,020,000 in gross proceeds through the issuance of 5,100,000 units at a price of \$0.20 per unit. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 2,550,000 whole warrants, with each whole 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.

Pursuant to this tranche of the financing, the Company issued 144,000 warrants as finders fees. Finders' warrants will be valid for a period of two years, with each warrant exercisable into one common share of the Company at a price of \$0.30 per share.