



EGF THERAMED HEALTH CORP.
(formerly, Theramed Health Corporation; Evitrade Health Systems Corp.)

Consolidated Financial Statements

(Audited)

For the Years Ended June 30, 2019 and 2018
(Expressed in Canadian dollars)

EGF Theramed Health Corp.
(formerly, Theramed Health Corporation; Evitrade Health Systems Corp.)
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June 30, 2019

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
EGF Theramed Health Corp. (formerly Evitrade Health System Corp.)

Opinion

We have audited the consolidated financial statements of EGF Theramed Health Corp. (formerly Evitrade Health System Corp.) (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of \$32,718,792 and a working capital deficiency of \$1,719,210. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

1735-555 Burrard Street

Vancouver, BC

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November 22, 2019

EGF THERAMED HEALTH CORP.*(formerly Theramed Health Corporation; Evitrade Health Systems Corp.)*

Consolidated Statement of Financial Positions

As at

(Expressed in Canadian dollars)

	Note(s)	June 30, 2019 \$	June 30, 2018 \$
Assets			
Cash and cash equivalents		132,756	449,815
Accounts receivable	4	461,206	63,965
Loans receivable	12	-	100,000
Marketable securities	16	1,267	3,666
Prepaid expenses	5	910,693	53,030
Total current assets		1,505,922	670,476
Deposits	6, 17, 19	44,000	391,595
Construction in progress	8	332,489	
Property, plant and equipment	8	973,242	-
Total Assets		2,855,654	1,062,071
Liabilities			
Accounts payable and accrued liabilities	9, 13	633,802	304,399
Interest payable	12	125,538	223,687
Loans payable	12, 15	458,417	1,223,199
Management fees payable	13	265,000	175,000
Preferred shares	10, 17	4,000	4,000
Convertible debt	12	827,681	826,210
Total Current and Total Liabilities		2,314,439	2,756,495
Shareholders' Equity (Deficiency)			
Share capital	11, 16	32,335,553	16,253,967
Shares to be cancelled		(1,070,000)	-
Contributed surplus		1,968,562	349,187
Equity portion of convertible debt		25,892	25,892
Deficit		(32,718,792)	(18,323,470)
Total Shareholders' Equity (Deficiency)		541,215	(1,694,424)
Total Liabilities and Shareholders' Equity (Deficiency)		2,855,654	1,062,071

*Going concern (Note 2b)**Commitments (Note 18)**Plans of Arrangement (Note 19)**Subsequent Events (Note 21)**The accompanying notes are an integral part of these Consolidated Financial Statements*

Approved and authorized for release by the Board of Directors on November 22, 2019

"C.K. Cheung"

C.K. Cheung, CEO and director

"Faisal Manji"

Faisal Manji, CFO and director

EGF THERAMED HEALTH CORP.*(formerly Theramed Health Corporation; Evitrade Health Systems Corp.)*

Consolidated Statement of Loss and Comprehensive Loss

For the Years Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

	Note(s)	2019 \$	2018 \$
Operating Expenses			
Bank charges and interest		1,355	610
Brokerage services	11	400,000	350,000
Consulting fees		1,133,026	121,360
Finance charges		6,213	55,584
Investor communications		311,188	-
Listing expense		14,754	24,058
Management fees		180,000	135,000
Office and general		24,890	782
Loan loss provisions		220,000	-
Professional fees		90,050	44,000
Rent		176,919	-
Research and development		6,628	-
Travel		1,509	663
Transfer agent & filing fees		14,953	8,811
Website and social media		32,335	207,270
Operating loss before other items		(2,613,820)	(948,138)
Other items:			
Other income		-	3,219
Gain (loss) on foreign exchange		(1,693)	5,105
Gain (loss) on marketable securities		(2,399)	3,665
Intangible impairments, acquisitions	20	(11,588,983)	-
Loss on joint venture	20	(140,000)	-
Loss on acquisition of debt		(272,595)	-
Recovered R&D expenses	20	224,169	-
Total other items		(11,781,502)	11,989
Net comprehensive loss		(14,395,322)	(936,149)
Loss per common share (basic and diluted)		(18.77)	(3.85)
Weighted average number of common shares (basic and diluted)		766,995	242,916

The accompanying notes are an integral part of these Consolidated Financial Statements

EGF THERAMED HEALTH CORP.
(formerly Theramed Health Corporation; Evitrade Health Systems Corp.)

Consolidated Statement of Changes in Shareholders' Deficiency

For the Years Ended June 30, 2019 and 2018

(Expressed in Canadian dollars, except the number of shares)

Note(s)	Number of Outstanding Shares	Share Capital	Equity Portion of Convertible Debts	Contributed Surplus	Shares To Be Cancelled	Deficit	Total Shareholder's Deficiency
		\$	\$	\$	\$	\$	\$
Balance, June 30, 2017	153,903	13,109,106	47,125	795,454	-	(17,383,911)	(3,432,226)
Share units issued for debt financing	70,307	1,054,600	-	-	-	-	1,054,600
Share units issued for equity financing	79,693	1,195,400	-	-	-	-	1,195,400
Share issuance costs	-	(80,143)	-	-	-	-	(80,143)
Fair market value of warrants issued for debt financing	-	(527,300)	-	527,300	-	-	-
equity financing	-	(597,700)	-	597,700	-	-	-
Allocate equity portion of convertible debt on transition to standard loan	-	-	(21,233)	21,233	-	-	-
Shares issued in escrow	50,000	1,750,000	-	(1,592,500)	-	-	157,500
Shares issued for services	10,000	350,004	-	-	-	-	350,004
Plans of arrangement	-	-	-	-	-	(3,410)	(3,410)
Net comprehensive loss for the year	-	-	-	-	-	(936,149)	(936,149)
Balance, June 30, 2018	363,903	16,253,967	25,892	349,187	-	(18,323,470)	(1,694,424)
Share units issued for equity financing	12	175,750	3,757,500	-	-	-	3,757,500
Share units issued for debt financing	12	5,000	50,000	-	-	-	50,000
Terminated acquisition	20	(45,500)	(1,592,500)	1,592,500	-	-	-
Shares issued for services	11,690	425,650	-	-	-	-	425,650
Shares issued for joint venture	100,000	1,070,000	-	-	(1,070,000)	-	-
Shares issued for acquisitions	503,703	12,431,111	-	-	-	-	12,431,111
Share issuance costs	-	(60,175)	-	26,875	-	-	(33,300)
Net loss for the year	-	-	-	-	-	(14,395,322)	(14,395,322)
Balance, June 30, 2019	1,114,546	32,335,553	25,892	1,968,562	(1,070,000)	(32,718,792)	541,215

The accompanying notes are an integral part of these Consolidated Financial Statements

EGF THERAMED HEALTH CORP.*(formerly Theramed Health Corporation; Evitrade Health Systems Corp.)*

Consolidated Statement of Cash Flows

For the Years Ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

	Note(s)	2019 \$	2018 \$
Cash Flows from Operating Activities			
Net loss		(14,395,322)	(936,149)
<u>Adjustments for non-cash items:</u>			
Finance charges on convertible debt		6,213	41,217
Loan loss provision		220,000	-
Intangible impairments, acquisitions	20	11,588,983	-
(Gain) loss on foreign exchange		1,693	5,920
Loss (gain) on marketable securities		2,399	(3,665)
Loss on acquisition of debt		272,595	-
Loss on joint venture		140,000	-
Recovered research and development		(224,169)	-
Share-based payments for services	11, 15	425,650	350,004
<u>Change in non-cash working capital items:</u>			
Accounts receivable		(37,241)	(25,938)
Deposits		(70,000)	-
Prepaid expenses		(574,206)	(50,164)
Accounts payable & accrued liabilities		514,154	79,155
Management fees payable		90,000	85,000
Cash used in operating activities		(2,039,251)	(454,620)
Cash Flows from Investing Activities			
Cash acquired in acquisitions		848,902	-
Deposits, acquisitions		(250,000)	(230,095)
Investments in joint venture		(400,000)	-
Loans receivable		(75,000)	(100,000)
Purchase of equipment		(973,242)	-
Construction in progress		(332,489)	-
Plans of arrangement		-	(3,410)
Cash used in investing activities		(1,181,829)	(333,505)
Cash Flows from Financing Activities			
Interest paid on convertible debt		(102,891)	-
Net proceeds on issuance of common shares		3,724,200	1,115,257
Proceeds from demand loans payable		1,489,090	1,152,195
Repayment of demand loans payable		(2,203,872)	(1,031,010)
Cash provided by financing activities		2,906,527	1,236,442
Effect of foreign exchange rate changes on cash		(2,506)	-
Net decrease in cash and cash equivalents		(317,059)	448,317
Cash and cash equivalents, beginning of year		449,815	1,498
Cash and cash equivalents, end of year		132,756	449,815
<u>Supplemental information:</u>			
Interest paid		(102,891)	4,743
Income taxes paid		-	-

*Non-cash activities (Note 16)**The accompanying notes are an integral part of these Consolidated Financial Statements*

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS:

EGF Theramed Health Corp. (formerly, Theramed Health Corporation; EVITRADE Health Systems Corp.) (the “Company” or “EGF Theramed”) was incorporated on November 9, 2011 under the laws of British Columbia, Canada. The Company’s head office and mailing address is #168 – 11280 Twigg Place, Richmond, BC V6V 0A6.

EGF Theramed continues to develop products, technologies, and diagnostic tools focused on personalized medical care including research with natural health and wellness products. The products will serve with the overall goal of improving health and elevating the human condition.

The Company’s shares are listed on Canadian Securities Exchange (“CSE”) under the symbol “TMED” and the OTC Markets Group Inc.’s marketplace under (“OTCQB: EVAHF”).

On October 22, 2019, the Company announced a name change to “EGF Theramed Health Corp.” and 100:1 share consolidation. The symbol will remain “TMED” and a consolidation of its issued and outstanding share capital on the basis of one hundred (100) pre-consolidation shares for every one (1) post-consolidation common share. As a result, the outstanding shares of the company will be reduced to approximately 1,116,912. The shares began trading under the new name and on a consolidated basis with a new CUSIP number on October 24, 2019.

The Company has closed on several acquisitions during fiscal 2019. (see Note 20)

These audited consolidated financial statements (hereinafter the “consolidated financial statements”) of the Company for the years ended June 30, 2019 and 2018 have been prepared by management and reviewed and authorized for publication by the Board of Directors on November 22, 2019. The financial statements are made available to shareholders and other stakeholders through the System for Electronic Document Analysis and Retrieval (“SEDAR”).

2. BASIS OF PRESENTATION:

a. Statement of compliance -

These consolidated financial statements for the years ended June 30, 2019 and 2018 were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Company’s significant accounting policies are described in the Note 3. Significant accounting estimates, judgments and assumptions have been used or exercised by management in the preparation of these consolidated financial statements.

All share amounts and pricing have been adjusted to reflect the Company’s 100:1 consolidation effective on October 24, 2019.

b. Going concern basis of presentation -

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and have the ability to realize its assets and discharge its liabilities in the normal course of business. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption, which may require management to reassess the financial viability of the Company as a going concern.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION: (Continued)

b. Going concern basis of presentation - (Continued)

As a Company in early development stage, management does not anticipate generating operating revenues for several years, other than incidental revenue. At June 30, 2019, the Company had not yet achieved profitable operations, had recurring losses from continuing operations, a deficit of \$32,718,792 (2018: \$18,323,470). The Company expects to incur further losses in the development of its business and acquisitions subsequent to year end.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These audited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material in natural.

c. Principles of consolidation -

These consolidated financial statements include the assets, liabilities and results of operations for Hemp Extraction Technology Corp., Western Agri Supply Solutions Inc., Medical Green Natural List Corp. acquired during fiscal 2019, in addition to several inactive numbered companies formed that are wholly-owned entities in relation to the Company's 2017 Plan of Arrangement. (see Notes 19 and 20)

All inter-company balances, transactions and unrealized profits are eliminated on consolidation.

d. Basis of measurement -

These consolidated financial statements have been prepared using the historical cost convention except for some financial instruments that have been measured at fair value.

e. Functional and presentation currency -

All monetary references expressed in these notes are references to Canadian dollar amounts ("\$").

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION: (Continued)

f. Significant accounting judgments and estimates -

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Judgments:

(i) Ability to continue as a going concern -

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 2b), whose subsequent changes could materially impact the validity of such an assessment.

Estimates:

(ii) Share-based compensation expense -

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense. Refer to Note 11 for further details.

(iii) Impairment of financial assets -

The carrying value and the recoverability of intangible properties, which are included in the statements of financial position. The recoverability of intangible property is evaluated at each reporting date to determine whether there are any indications of impairment.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION: (Continued)

f. Significant accounting judgments and estimates - (continued)

(iii) Impairment of financial assets - (continued)

The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible asset.

External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its intangible asset. Internal sources of information the Company considers include the manner in which intangible asset are being used or are expected to be used and indications of economic performance of the assets.

(iv) Income taxes -

The Company operates in the United States and Canada and is subject to multiple tax jurisdictions, and consequently, income is subject to various rates and rules of taxation. As a result, the Company's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in a different jurisdiction. The Company calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The future realization of deferred tax assets can be affected by many factors, including: current and future economic conditions, net realizable sale prices, and can either be increased or decreased where, in the view of management, such change is warranted. In determining whether a deferred tax asset is probable, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Refer to Note 17 for further details.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below are in effect for the years ended June 30, 2019 and 2018 and have been applied consistently to all periods presented in these financial statements.

a. Cash and cash equivalents -

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less.

b. Shared-based payments -

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. There are currently no options outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

c. Deferred income taxes -

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

d. Financial instruments -

A finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement was issued in November 2009 and October 2010. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and de-recognition.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs.

Financial assets are subsequently measured at:

- i) FVTPL;
- ii) amortized cost;
- iii) debt measured at fair value through other comprehensive income ("FVOCI");
- iv) equity investments designated at FVOCI; or
- v) financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date. Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test. The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of July 1, 2018. The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d. Financial instruments - (continued)

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

Financial assets	IAS 39 CLASSIFICATION	IFRS 9 CLASSIFICATION
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments excluding marketable securities	Held to maturity	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investments	N/A	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Other liabilities
Long-term debt	Other liabilities	Other liabilities
Unsecured convertible debentures	Other liabilities	Other liabilities

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its amounts receivable using the ECL model, and no difference was noted. As a result, no impairment loss has been recognized upon transition and at September 1, 2018.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of compound financial instruments is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not measured again subsequent to initial recognition. Interest, dividends, losses and gains relating to financial liabilities are recognized in profit or loss.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d. Financial instruments - (continued)

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Marketable Securities

Equity securities included in marketable securities are recoded at fair market value of \$1,267 (2018: \$3,666). Any realized gains and losses on the sale of securities are based on the average cost of all the units of a particular security held at the time of sale.

e. Impairment of financial assets -

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

e. Impairment of financial assets – (continued)

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

f. Impairment of non-financial assets -

The carrying amounts of non-financial assets are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. Reviews are undertaken on an asset-by-asset basis.

If the carrying amount of a non-financial asset exceeds the recoverable amount, being the higher of its fair value less costs to sell and its value-in-use, an impairment loss is recognized in net earnings as the excess of the carrying amount over the recoverable amount.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed production plans. The mine plan is the basis for forecasting production output in each future year and for forecasting production costs. For value-in-use calculations, production costs and output may be revised to reflect the continued use of the asset in its present form.

Non-financial assets that have suffered an impairment are tested for a possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. In these instances, the impairment loss is reversed to the recoverable amount but not beyond the carrying amount, net of amortization, that would have arisen if the prior impairment loss had not been recognized. Goodwill impairments are not reversed.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

g. Share capital -

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

h. Comprehensive loss -

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholder and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholder's equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

i. Loss per share -

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

j. Provisions -

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

j. Provisions – (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

k. Joint venture -

In accordance with *IFRS 11 Joint Arrangements*, activities through the Company's 30% interest in a joint venture for the excipient delivery system are recognized through profit or loss as incurred. During the year ended June 30, 2019 the company recorded an impairment of \$1,570,000 (2018: \$nil) write the joint venture to a carrying value of \$nil.

l. Intangible Assets -

The Company owns intangible assets consisting of e-commerce platform costs. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

m. New standards and interpretations not yet applied

IFRS 16 "Leases" is effective for annual reporting periods beginning on or after 1 January 2019 and establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The Company is in the process of assessing the impact of this pronouncement. The extent of the impact has not yet been determined.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

*(Expressed in Canadian dollars)***4. ACCOUNTS RECEIVABLE:**

	June 30, 2019	June 30, 2018
	\$	\$
Accounts receivable	—	60,000
Advances receivable	2,818	—
Government remittances recoverable	98,388	3,965
Receivable on B-Organic rescission	360,000	—
Total Accounts Receivable	461,206	63,965

On November 6, 2019, the Company was advised of the termination of its JV and has recognized a rescission receivable of \$360,000 for prior JV advances to be repaid to the Company. (See Note 21)

5. PREPAIDS:

	June 30, 2019	June 30, 2018
	\$	\$
Consulting	71,872	50,800
Business services	—	2,230
Extraction operations setup	833,221	—
Retainer legal fees	5,600	—
Total Prepaids	910,693	53,030

On October 3, 2019, the Company entered into an Operator Agreement retroactive to March 6, 2019 with Belt Energy and Biommas LLC. ("BEBL"), private Nevada operator via WASS. BEBL holds a license issued by the State of Nevada to grow, produce, process, and commercialize industrial hemp and products from industrial hemp. During the year ended June 30, 2019, the Company advanced USD \$636,678 (\$833,221) for future facility leasing, deposits, equipment and asset purchases (Note 21).

6. DEPOSITS:

	June 30, 2019	June 30, 2018
	\$	\$
Acquisition	—	387,595
Leases	20,000	—
Plans of arrangement (Note 18)	4,000	4,000
Total Accounts Receivable	24,000	391,595

Effective October 29, 2018, the Company signed a termination agreement with Artillery Holdings Inc. to terminate the Company's planned acquisition of Artillery and a write down of \$272,595 in deposits towards the acquisition was recorded for the period.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

*(Expressed in Canadian dollars)***6. DEPOSITS (Continued):**

Effective January 22, 2019, the Company and Cantech Molecular Research entered into a mutual termination agreement, whereas each party agrees that the other party has no further obligations and is not liable to the first party in relation to the agreement. As a result, a write down of \$45,000 was recorded for the period. During the year ended June 30, 2019, the Company paid \$30,000 (2018: \$15,000) in deposits towards this acquisition.

7. INTANGIBLE ASSETS:

On May 31, 2018, the Company transferred its TULIP related intellectual property to wholly-owned subsidiary EGF Health Holdings Corp. (formerly, Automated Techno Medical Corp.; 1109871 B.C. Ltd.) for \$10 and other good and valuable consideration in preparation for the spin out of 871BC pursuant to its 2017 Plan of Arrangement. (see Note 19 and 21)

8. PROPERTY, PLANT AND EQUIPMENT:

As at

	June 30, 2019 \$	June 30, 2018 \$
Equipment	973,242	—
Amortization	—	—
Net Book Value	973,242	—

Equipment and construction in progress additions were for the production and manufacturing facility in Las Vegas, Nevada, USA via WASS; with no amortization recognized or recorded to date as the equipment is still undergoing installation and testing.

During the year ended June 30, 2019, the construction in progress additions were USD\$246,000 (\$332,489).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

As at

	June 30, 2019 \$	June 30, 2018 \$
Amount owing to third parties	633,478	301,633
Due to related parties (Note 15)	324	2,766
	633,802	304,399

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)***10. REDEEMABLE PREFERRED SHARES:**

(a) Authorized - unlimited Class A - preferred shares

(b) Issued:

	June 30, 2019		June 30, 2018	
	Shares	Amount, \$	Shares	Amount, \$
Class A preferred shares				
Balance, beginning of period	31,161,060	4,000	52,349,902	6,000
Issued – Plans of Arrangement	—	—	(21,188,842)	(2,000)
Redeemed	—	—	—	—
Closing balance	31,161,060	4,000	31,161,060	4,000

The Class A - preferred shares, with an average redemption price of \$0.000115 each for a total value of \$4,000, are non-voting, non-participating and are mandatorily redeemable by the Company in accordance with the Plans of Arrangement.

On April 3, 2018, the Company completed its arrangement with Monterey Minerals Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. On May 4, 2018, the Company completed its arrangement with Rotonda Ventures Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed.

As at June 30, 2019 and 2018, 31,161,060 convertible Class (or series) A preferred shares with \$4,000 fair value were outstanding and will be redeemed once the spin-out (divesting) transactions are completed under the 2017 Plans of Arrangement. (Note 19 and 20)

11. SHARE CAPITAL:

a. Authorized: unlimited common shares, without par value; and unlimited Preferred shares, without par value.

b. Issued and Outstanding:

Common shares – 1,114,546 issued and outstanding as of June 30, 2019 (2018: 363,903).

Escrow shares – Nil (2018: 50,000 common shares) (See Note 20)

During the year ended June 30, 2018, the following transactions occurred:

On December 21, 2017, the Company issued a total of 150,000 common shares and 150,000 share purchase warrants on closing of its equity and debt financing at \$15.00 per share unit (the "Offering"). Each share unit is comprised of one common share and one whole 5-year share purchase warrant exercisable at \$25.00.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

11. SHARE CAPITAL: (continued)

b. Issued and Outstanding: (continued)

Total proceeds for the equity financing portion of the Offering was \$1,195,400. The Company used the relative fair value method to allocate the total proceeds from the private placement and accordingly, \$597,700 of the total value was allocated to the shares and \$597,700 to the warrant. The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years, volatility of 114%, and a dividend yield of 0%.

The Company settled \$1,054,600 in loans payable for the debt financing portion of the Offering. The Company used the relative fair value method to allocate and accordingly, \$527,300 of the total value was allocated to the shares and \$527,300 to the warrant. The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years, volatility of 114%, and a dividend yield of 0%. (see Note 11)

On April 27, 2018, the Company issued 50,000 common shares into escrow with a fair market value of \$35.00 per share for total value of \$1,750,000 for pending acquisition of Artillery Holding Inc., subject to due diligence review and other acquisition conditions. (see Note 18)

On April 27, 2018, the Company issued 10,000 common shares with a fair market value of \$35.00 and total consideration of \$350,000 for prior brokerage services.

During the year ended June 30, 2019, the following transactions occurred:

On September 5, 2018, the Company closed on \$3,000,000 in subscription funds for the non-brokered private placement at \$30.00 per common share and issued a total of 100,000 common shares for this offering.

On October 5, 2018, the Company issued 10,000 common shares with a fair value of \$40.00 and total consideration of \$400,000 to Haywood Securities for past brokerage services.

On October 16, 2018, the Company issued 200,000 common shares with a fair value of \$29.80 per share and total consideration of \$5,960,000 to acquire Western Agri Supply Solutions Inc. (see Note 20).

On October 16, 2018, the Company issued 350 common shares with a fair value of \$35.00 and total consideration of \$12,250 to the CFO of the Company for past accounting services.

On October 19, 2018, the Company issued 233,333 common shares with a fair value of \$25.20 per share and total consideration of \$5,880,000 to acquire Hemp Extraction Technologies Corp. (see Note 20)

On October 29, 2018, 45,500 common shares with a fair value of \$1,592,500 were returned to treasury as a result of the ratification agreement entered with Artillery Holdings Inc. to terminate the Company's planned acquisition of Artillery.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

*(Expressed in Canadian dollars)***11. SHARE CAPITAL:** (continued)

b. Issued and Outstanding: (continued)

On April 5, 2019, the Company issued 100,000 common shares reserved for the JV with the fair value of \$10.70 per share for consideration of \$1,070,000 as further contribution under the JV agreement. Subsequent to year end, the Company was advised of the termination of its JV and Amylcan Technologies Corp. agreed to return the 100,000 shares to treasury. (See Note 21).

On May 14, 2019, the Company issued 70,370 common shares with a fair value of \$8.40 per share and total consideration of \$591,111 to acquire Media Green Natural List Corp. (see Note 20)

On May 21, 2019, the Company closed a non-brokered private placement of 70,500 units for gross proceeds of \$705,000 (\$10.00 per unit). Each unit is comprised one common share and one full share purchase warrant exercisable into one additional common share at price of \$15.00 for a period of three years from the closing. The Company paid a brokerage fees of \$30,300 and 3,030 broker warrants in conjunction with the financing. Each broker warrant is exercisable at a price of \$10.00 for a period of one and half year from the closing. The broker warrants were value at \$26,875 using the Black-Scholes option pricing model which assumed a risk-free rate of 1.68%; estimated life of 1.5 years; volatility of 101.93% and dividend yield of 0%.

On June 7, 2019, the Company issued:

- 6,340 share units at \$10.00 per unit, with each unit consisting of one (1) common share and one (1) 3-year share purchase warrant exercisable at \$15.00 to settle debt and accounts payable totaling \$63,400 that represented the fair value of the settlement;
- 5,250 share units at \$10.00 per unit, with each unit consisting of 1 common share and 1 3-year share purchase warrant exercisable at \$15.00 to accredited investors for gross proceeds of \$52,500. The Company paid a \$3,000 brokerage fee in conjunction with the subscription for net proceeds of \$49,500.

Share purchase warrants

As of June 30, 2019, the following warrants were outstanding and exercisable:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date	Number of Common Shares Issuable
5,510	150.00	August 29, 2019	5,510
5,308	150.00	September 1, 2019	5,308
867	150.00	March 16, 2021	867
1,333	150.00	April 7, 2021	1,333
150,000	25.00	December 20, 2022	150,000
70,230	15.00	May 21, 2022	70,230
3,300	10.00	November 21, 2020	3,300
11,590	15.00	June 7, 2022	11,590
248,138			248,138

Subsequent to year end, 10,818 warrants expired without being exercised.

EGF Theramed Health Corp.

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June 30, 2019

*(Expressed in Canadian dollars)***11. SHARE CAPITAL:** (continued)*Share purchase warrants (continued)*

A summary of the Company's issued and outstanding warrants as at June 30, 2019 and 2018 and changes during those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price, \$
Balance, June 30, 2017	16,085	150.00
Granted	150,000	25.00
Expired	(3,067)	(150.00)
Balance, June 30, 2018	163,018	34.98
Granted	85,120	14.81
Balance, June 30, 2019	248,138	28.06

The weighted average life of warrants outstanding is 3.09 years (2018: 4.16 years)

12. DEBTS:*a. Convertible debentures*

The following table summarized outstanding convertible debentures:

	\$
Balance, June 30, 2017	1,490,761
Accretion capitalized	10,145
Transfer to demand loan	(674,696)
Balance, June 30, 2018	826,210
Accretion capitalized	1,471
Balance, June 30, 2019	827,681

- i. Eighteen-month convertible debt: On February 19, 2016 the Company issued \$827,681 of convertible debt to Decanex, Inc., the Company's former general service provider as a part of debt settlement agreement. The debt matures eighteen months from the date of issuance and maybe converted by the debtholder into common shares of the company at a price of \$75.00 per common share. Interest is payable on this debt at an annual rate equal to ten percent (10%), compounded on an annual basis. The balance owing and convertible is \$827,681.

An equity component of the debt, \$25,892, has been reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity. The equity component of this debt was initially measured using the residual value method and is not re-measured at each reporting period. The balance, including accretion is \$827,681 (2018: \$826,210) as of June 30, 2019. The debt was assigned to a non-related party in 2018 with partial settlement to date. (see Note 20)

- ii. Eighteen month convertible debt: During the year, Sydney Au, CEO and Director, loaned the Company \$674,697 that is non-interest bearing and has not terms of repayment. On June 30, 2016, the Company signed a \$674,697 convertible debt agreement with Mr. Au that has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$75.00 per common share. Mr. Au may, within the specified time

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

*(Expressed in Canadian dollars)***12. DEBTS: (continued)**

period, convert his debt at his sole discretion. \$21,233 was initially reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity as an equity component of the debt. The equity component of \$21,233 was subsequently credited to contributed surplus on December 31, 2017 when Mr. Au agreed to transition his convertible debt to a standard loan bearing interest at 10% compounded per annum. The debt was paid off in full in January 2018.

Total interest payable of \$125,538 (2018: \$223,687) is due on the convertible note under 12(i).

b. Unsecured loans payable

The following table summarizes unsecured demand loans for the years ended June 30, 2019 and 2018:

	Balance, June 30, 2017 \$	Loan Proceeds \$	Loan Repayments \$	Debt Assignment \$	Balance, June 30, 2018 \$
Amounts owing to third parties (i)	1,027,166	166,433	(868,890)	5,000	329,709
Amounts owing to related parties (ii)	458,977	851,829	(1,087,012)	669,696	893,490
Total	1,486,143	1,018,262	(1,955,902)	674,696	1,223,199

	Balance, June 30, 2018 \$	Loan Proceeds \$	Loan Repayments \$	Debt Assignment \$	Balance, June 30, 2019 \$
Amounts owing to third parties (i)	329,709	22,527	(19,937)	(294,325)	37,974
Amounts owing to related parties (ii)	893,490	1,466,563	(2,233,936)	294,325	420,442
Total	1,223,199	1,489,090	(2,253,873)	-	458,416

(i) Amounts owing to third parties are non interest bearing with no specific terms of repayment.

(ii) Amounts owing to related parties are non-interest bearing with no specific terms of repayment. (see Note 15)

EGF Theramed Health Corp.

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(Expressed in Canadian dollars)

13. FINANCIAL AND CAPITAL RISK MANAGEMENT:

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, liquidity risk, interest rate risk, and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary health monitoring/therapeutic systems and the identification and evaluation of potential acquisitions.

To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

b. Credit risk

The Company's credit risk was primarily attributable to bank balances, GST/HST receivable and loan receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. GST/HST receivable is due from Canadian Government and management believes that the credit risk to be minimal. Loan receivable is due from a non-related party and the Company continues to negotiate repayment terms.

c. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

As at June 30, 2019, the Company had a cash balance of \$132,756 (2018: \$449,815) and accounts payable and accrued liabilities of \$633,802 (2018: \$304,399). All of the Company's financial liabilities have or are treated with maturities of less than one year, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt, loan extensions, or equity financing to meet the Company short term and long term cash requirement. The Company has a working capital deficit of \$1,719,210 (2018: \$2,139,049).

d. Interest rate risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

June 30, 2019

*(Expressed in Canadian dollars)***13. FINANCIAL AND CAPITAL RISK MANAGEMENT:** (continued)e. *Foreign exchange risk*

The Company's functional and reporting currency is the Canadian dollar with significant business and purchases are transacted in United States dollars (USD). As a result, the Company is exposed to USD foreign currency risk that is not hedged against. As a result, the Company may incur material and uncontrolled losses on USD foreign exchange.

The Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

	June 30, 2019		June 30, 2018	
Cash	USD\$	59,583	USD\$	1,426
Accounts payable	USD\$	502,602	USD\$	-

Based on the above net exposures and assuming that all other variables remain constant, a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$44,302 (June 30, 2019 - \$188) in income/loss from operations.

14. FAIR VALUE:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements on a recurring basis by within the fair value hierarchy. The Company does not have any non-recurring fair value measurements. Measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2019 and 2018:

	June 30, 2019		June 30, 2018	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash and cash equivalents	\$ 132,756	—	\$ 449,815	—
Marketable securities	\$ 1,267	—	\$ 3,666	—

The methods of measuring each of these financial assets and liabilities have not changed during the past year. The Company does not have any financial assets or liabilities measured at fair value based on unobservable inputs (Level 3). The fair values of financial instruments measured at amortized cost approximate their carrying amounts.

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(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS:

During the fiscal year ended June 30, 2018, the following related party transactions occurred:

- (a) On December 21, 2017, Ron Ozols, Director, was repaid \$15,000 in demand loans through the Company's debt financing for share units. Mr. Ozols received 1,000 common shares and 1,000 5-year share purchase warrants exercisable at \$25.00 under the debt settlement.
- (b) On December 21, 2017, Faisal Manji, CFO, participated in the Company's equity financing for share units. Mr. Manji subscribed for 200 common shares and 200 5-year share purchase warrants exercisable at \$25.00 for gross proceeds of \$3,000. The Company received the proceeds from Mr. Manji on February 28, 2018.
- (c) Sydney Au, CEO and Director, loaned an additional amount of \$71,323 after being repaid \$840,838 and \$4,743 of interest on previous outstanding demand loans with the Company.
- (d) The Company was loaned \$32,500 by 918368 B.C. Ltd., a company owned and controlled by Syd Au, director (Chairman).
- (e) On December 31, 2017, Sydney Au, CEO and director, agreed to transition his convertible debt to an interest-bearing loan, with 10% interest compounded annually that matures on December 31, 2018. The loan was repaid in January 2018.
- (f) On February 21, 2018, the Board of Directors ratified a new compensation plan for executive management. As a first act of the board under the new compensation structure, directors ratified an executive management agreement for Sydney Au, director (Chairman) and former CEO retroactive to January 1, 2018.
- (g) Key management personnel compensation:
 - included in management fees is \$135,000 for compensation payable to Sydney Au, director (Chairman) for fiscal 2018.
- (h) The Company was advanced \$15,162 for listing and other operating expenses through vendor payments made by Sydney Au, director, on behalf of the Company. The Company repaid \$14,153 in advances made to the Company by Mr. Au.
- (i) The Company accrued interest payable of \$34,485 owing to Sydney Au, Director (Chairman) for the convertible note payable that was converted to a demand loan on December 31, 2017 and repaid in full in January 2018. (Note 12)
- (j) The Company accrued interest payable of \$83,769 owing to Decanex, Inc. for its convertible note payable. Decanex is controlled and operated by a major shareholder of the Company. (Note 12)
- (k) The Company has \$224,169 recorded in accrued liabilities due to Decanex, Inc., the Company's operator under its General Services Agreement for services fees due. The Company and Decanex are on an agreed stand-still and no further fees or commitments are being accrued pending settlement.
- (l) Syd Au, director, settled \$225,000 in demand loans payable for 15,000 share units at \$15.00 with \$25.00 5-year whole-warrant as part of the December 2017 debt offering.

EGF Theramed Health Corp.

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(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS: (continued)

On April 3, 2018, the Company completed its arrangement with Monterey Minerals Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. The effective date for the Arrangement was set as June 2014, when Monterey Minerals Corp. ceased to be a wholly-owned subsidiary of the Company. On May 4, 2018, the Company completed its arrangement with Rotonda Ventures Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. The effective date for the Arrangement was set as June 2014, when Rotonda Ventures Corp. ceased to be a wholly-owned subsidiary of the Company.

During the fiscal year ended June 30, 2019, the following related party transactions occurred:

- (a) Ron Ozols, director, loaned the Company \$95,000, was repaid \$43,931 in demand loans and settled \$50,000 in loans as part of June 2019 financing for 5,000 shares units at \$10.00 per unit. (see Note 12). The balance owing to Ron Ozols as at June 30, 2019 is \$7,000 (2018: \$5,931).
- (b) On October 16, 2018, the Company issued 350 common shares to Faisal Manji valued at \$12,250 for accounting fees accrued during the year ended June 30, 2019 (see Note 12).
- (c) During the year ended June 30, 2019 \$326,000 has been loaned by 918368 B.C. Ltd., a company owned and controlled by Sydney Au, director (Chairman). In addition, 918368 BC Ltd. had a debt that was assigned and repaid totaling \$294,325. In addition, Sydney Au, CEO and Director, loaned \$1,045,563 and had \$760,067 in previous loan advances to the company for a total of \$2,099,955 of demand loans which have eventually been repaid and an additional \$40,050 was repaid in a demand loan owing to spouse of Mr. Au. The net effect of the loans advanced and repaid by Mr. Au, his spouse, or his privately controlled company (918368 B.C. Ltd.) is \$413,442 (2018: \$887,560) remains outstanding as a demand loan owing to 918368 B.C. Ltd. as at June 30, 2019
- (d) During the year ended June 30, 2019, a third party assigned his debt totaling \$294,325 to 918368 B.C. Ltd., a company owned and controlled by Syd Au, director (Chairman). The full balance was fully repaid as at June 30, 2019.
- (e) Subsequent to year end, the Company and Decanex Inc. entered into a mutual termination and settlement agreement due to material impairments affecting Decanex Inc. and its ongoing services under the GSA. Both parties agreed to waive all outstanding matters surrounding the GSA. As a result, the Company an expense recovery of \$224,169.
- (f) During the year ended June 30, 2019, management fees paid or accrued to Sydney Au, CEO and Director, was \$180,000 (2018: \$135,000). The balance owing to Sydney Au as at June 30, 2019 is \$265,000 (2018: \$175,000).

See Notes 11 and 19 for related party share transactions and acquisitions, respectively.

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)***16. NON-CASH ACTIVITIES:**

- a) On May 21, 2019, the Company issued 3,300 common share purchase warrants (“warrants”) to Haywood Securities Inc. for brokerage fees for closing of the equity financing. The Black-Scholes fair value of the warrants was calculated at \$26,875.
- b) On June 7, 2019, the Company issued 5,000 common shares valued at \$50,000 to partially settled outstanding debt due to a related party.
- c) During the year ended June 30, 2019, the Company issued 11,690 common shares valued at \$425,650 for consulting services and/or compensation for past services.
- d) On October 16, 2018, the Company issued 200,000 common shares valued at \$5,960,000 for the acquisition of Western Agri Supply Solutions Corp.
- e) On October 19, 2018, the Company issued 233,333 common shares valued at \$5,880,000 for the acquisition of Hemp Extraction Technology Corp.
- f) On April 5, 2019, the Company issued 100,000 common shares valued at \$1,070,000 as further contribution under the JV agreement with B-Organic.
- g) On October 19, 2018, the Company issued 70,370 common shares valued at \$591,111 for the acquisition of Medical Green Natural List Corp.

17. INCOME TAXES:

The Company has accumulated non-capital losses expire as follows (tax attributes are subject to revision and potential adjustment by tax authorities):

YEAR	\$
2032	305,534
2033	798,008
2034	1,040,896
2035	1,530,647
2036	345,275
2037	36,936,292
2038	936,149
2039	2,669,486

A reconciliation of income taxes at statutory rates is as follows:

	June 30, 2019 \$	June 30, 2018 \$
Loss before income taxes	(14,395,322)	(936,149)
Effective tax rate	27.0%	27.0%
Expected income tax (recovery)	(3,886,737)	(252,760)
Tax effects of:		
Non-deductible expenses and other deductions	3,165,976	—
Other adjustments	(3,136,218)	—
Change in income tax rate	44,469	—
Change in unrecognized deferred income tax assets	3,812,510	252,760
Deferred income tax recovery	—	—

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*(Expressed in Canadian dollars)***17. INCOME TAXES:** (continued)

The significant components of the Company's deferred income tax assets not recognized are as follows:

	June 30, 2019 \$	June 30, 2018 \$
Substantively enacted tax rate	27.0%	27.0%
Deferred income tax assets:		
Non-capital losses	12,031,818	11,355,525
Temporary differences in net assets	3,129,025	—
Unamortized share issue costs	7,193	—
Net unrecognized deferred income tax assets	15,168,036	11,355,525

Estimated taxable income for the period is \$Nil. Deferred tax assets have not been recognized because it is not probable that future taxable income will be available against which the Company can utilize the benefits from the deductible temporary differences and unused tax losses.

18. COMMITMENTS:

The Company has the following commitments under various agreements:

As at

	Commitment Type	Total \$	Within 1 year	2-5 years
Extraction facility	Lease	1,110,775	239,688	871,087
Equipment purchase	Extraction equipment	463,341	463,341	—
Operator agreement	Consulting	549,654	117,783	431,871
TOTAL		2,123,770	820,812	1,302,958

A summary description of the commitments is as follows:

- Effective December 1, 2018 continuing to November 30, 2023, the Company has committed to lease one unit store area with an area deemed 25,000 sq. ft located in Las Vegas, Nevada, USA. The base rent is set at \$15,000 USD per month and will be increased by 3% on each anniversary of each year of the lease.
- Equipment purchase commitments of \$456,965 for the remaining balance on the HETC extraction machine.
- Effective March 6, 2019 continuing March 5, 2024, the Company entered into an operator agreement to exploit and develop the business opportunities related to certain industrial hemp license and matters in the State of Nevada, US. The Company agrees to pay \$7,500 USD per month plus an addition 5% of net sales for all services performed under the agreement.

EGF Theramed Health Corp.

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(Expressed in Canadian dollars)

19. PLANS OF ARRANGEMENT:**2014 Plan of Arrangement**

The Company completed the final two subsidiaries spin outs with all outstanding Series A Preferred share conversions completed for its 2014 court approved Plan of Arrangement (2014-POA) on April 3, 2018 (Monterey Minerals Corp.) and May 4, 2018 (Rotonda Ventures Corp.). Each transaction represents \$1,000 fair value in convertible preferred shares, and related letters of intent for businesses in each former subsidiary company that ceased to be subsidiaries of the Company on 2014 effective dates for those arrangements. The Company has \$nil (2017: \$nil) in remaining deposits related to the spin outs under the 2014-POA as of June 30, 2019.

2017 Plan of Arrangement

In March 2017, the Company filed and received court approval for its 2017 Plan of Arrangement ("2017-POA") for the planned spinout of Eviana Health Corporation ("Eviana"), formerly C&C Cosmeceuticals Corp., and four newly formed subsidiary corporations Ecovatec Health Solutions Inc. (formerly 1109863 B.C. Ltd.), 1109858 B.C. Ltd., 1109870 B.C. Ltd., EGF Health Holdings Corp. (formerly, Automated Techno Medical Corp., formerly 1109871 B.C. Ltd.) to facilitate other contemplated spin-out transactions.

As of June 30, 2019, the Company has \$4,000 (2018: \$4,000) in remaining deposits related to contemplated spin outs under the 2017-POA.

The Company anticipates completing the arrangements for other spin outs in fiscal 2020. (see Note 21)

20. ACQUISITIONS, BUSINESS COMBINATIONS, AND JOINT VENTURE:**Joint Venture (JV)**

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement to develop intellectual property for an excipient delivery system for pharmaceutical and nutraceutical applications and subsequently signed a definitive agreement in October 2018 that gave the Company a 30 percent interest in the JV with two private corporations in exchange for the 100,000 common shares for the transaction and the Company investing a minimum of \$2,156,000 in working capital through March 1, 2019, currently in arrears, and an additional \$1,682,000 from May 1, 2019 through September 2019, for total of \$3,838,000 in working capital over those periods as the Company's JV contributions. The Company is currently in default for \$2,328,800 in working capital not funded as of June 30, 2019.

On April 5, 2019, the Company issued 100,000 common shares reserved for the JV with the fair value of \$10.70 per share for consideration of \$1,070,000 as further contribution under the JV agreement.

The JV was terminated on November 6, 2019 due to Company default of its financial commitments. (see Note 21)

EGF Theramed Health Corp.

Notes to the Consolidated Financial Statements

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20. ACQUISITIONS, BUSINESS COMBINATIONS, AND JOINT VENTURE: (continued)**Acquisitions and Business Combinations**Hemp Extraction Technology Corp.

On October 2, 2018, the Company closed on the acquisition of Hemp Extraction Technology Corp. ("HETC"), which is in the business and technology of industrial hemp extraction, for total consideration of \$5,880,000. Pursuant to the acquisition agreement, EGF Theramed acquired all of the issued and outstanding common shares of HETC in exchange for an aggregate of 233,333 common shares of EGF Theramed issued at the deemed price of \$25.20 per share to the former holders of HETC common shares. As a result, HETC became a wholly-owned subsidiary of the Company. The Company determined that the fair value of net assets acquired was \$1,145,085 with the balance of the consideration allocated to goodwill that was determined to be fully impaired as of June 30, 2019.

<u>Initial recognition upon acquisition:</u>	<u>\$</u>
Fair value of 233,333 common shares issued	5,880,000

Allocated as follows:

Cash	848,812
Prepays	296,273
Net assets acquired	1,145,085
<u>Allocated to impairment of goodwill</u>	<u>4,734,915</u>
	5,880,000

Western Agri Supply Solutions Corp.

On October 16, 2018, the Company announced closing of the acquisition of Western Agri Supply Solutions Corp. ("WASS") that specializes in industrial hemp biomass supply. Pursuant to the agreement, the Company issued 200,000 at a fair value of \$29.80 per share and total consideration of \$5,960,000 to acquire all of the issued and outstanding common shares of WASS. As a result, WASS is now a wholly owned subsidiary of EGF Theramed. The Company determined that \$52,948 in net liabilities were assumed and the balance of the consideration allocated to goodwill that was determined to be fully impaired as of June 30, 2019.

<u>Initial recognition upon acquisition:</u>	<u>\$</u>
Fair value of 200,000 common shares issued	5,960,000

Allocated as follows:

Accounts payable	(52,948)
Assumed liabilities	(52,948)
<u>Allocated to impairment of goodwill</u>	<u>6,012,948</u>
	5,960,000

EGF Theramed Health Corp.

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20. ACQUISITIONS, BUSINESS COMBINATIONS, AND JOINT VENTURE: (continued)Medical Green Natural List Corp.

On May 14, 2019, the Company signed a binding letter of intent to acquire Medical Green Natural List Corp. ("MGNL") with business consisting of software and portal for a medical marketplace app, which connects buyers with sellers. The purchase price of the transaction is \$941,111 CAD; consisting of 70,370 common shares at a deemed price of \$8.40 per share and \$500,000 in cash with an immediate advance of \$250,000 to MGNL for working capital an additional milestone payment of \$250,000 upon the successful launch of the Green List app. The app was launched in July 2019 and the Company issued an additional 25,000 with a fair value of \$100,000 as final consideration for the acquisition. As a result, MGNL is now a whole owned subsidiary of EGF Theramed. Net liabilities of \$9 were assumed in MGNL with the total fair value of \$841,120 allocated to goodwill. (see Note 21).

<u>Initial recognition upon acquisition:</u>	<u>\$</u>
Fair value of 70,370 common shares issued	591,111
<u>Cash paid</u>	<u>250,000</u>
Total purchase price	841,111
<u>Allocated as follows:</u>	
Cash	90
<u>Accounts payable</u>	<u>(99)</u>
Assumed liabilities	(9)
<u>Allocated to impairment of goodwill</u>	<u>841,120</u>
	841,111

Pending AcquisitionsVeri-Medical Systems Inc.

On June 11, 2018, the Company signed a letter of intent Veri-Medical Systems Inc. ("VeriMed") to potentially acquire the Company which is involved in developing a blockchain based "seed-to-sale" protocol focussed on enhancing the integrity of the sale of Hemp based products. A total of \$15,000 in deposits have been paid towards this acquisition that were subsequently expensed to consulting for services performed by a scientific consultant to the Company as of June 30, 2019.

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20. ACQUISITIONS, BUSINESS COMBINATIONS, AND JOINT VENTURE: (continued)

Terminated and Rectified Acquisitions

Artillery Holding Inc.

On October 29, 2018, the Company signed a rectification agreement with Artillery Holding Inc. (dba Artillery Labs) ("Artillery") to terminate the Company's planned acquisition of Artillery, proposed a new spin out transaction with fees, agree on terms for \$117,690 in outstanding debts payable by Artillery to the Company, and assignment of \$135,000 (\$100,000 USD) in Artillery debt (the "Artillery Debt") from a third party.

Pursuant to the rectification agreement, the Company allocated 4,500 common shares with a fair value of \$30.00 per share or \$157,500 from the Artillery escrow to acquire \$100,000 USD of demand loans owing by Artillery. The remaining 45,500 common shares of the Company with a fair value of \$35.00 per share currently in escrow for the Artillery acquisition were returned to treasury for cancellation in conjunction with the rectification. As at June 30, 2019, the Company had paid in cash a total of \$Nil (2018: \$115,095) in deposits towards the acquisition.

A full Debt loss provision of \$272,595 was recorded as of June 30, 2019.

At the Company's option the amount of the Artillery Debt (including any interest) shall be convertible into common shares of Artillery or the common shares (or if there are no common shares but another class of securities then such class of securities) of any resulting/successor issuer to Artillery that results from a merger, amalgamation, acquisition, arrangement, or similar transaction at a conversion price equal to the lower of: (a) the price of the relevant security at the founder's round for Artillery or its resulting issuer (as applicable) that is being or has just been offered at time of the conversion; or (b) \$0.02 per the relevant Artillery or resulting issuer security as applicable. The option herein shall be perpetual unless limited in duration by applicable law. The Company took a full loss provision on the loan and deposits as of June 30, 2019.

Cantech Molecular Research Inc.

On January 22, 2019, the Company announced that, effective on said date, it mutually terminated the previously announced contemplated transaction and underlying agreement with Cantech Molecular Research Inc. Management of EGF Theramed believe that the contemplated transaction was no longer in line with the business and commercialization strategies of the Company leading to the mutual termination by the parties. As a result, a write down of \$45,000 was recorded for the period.

Tree Chest Safety Corp.

On January 31, 2019, the Company effected and announced the mutual termination and unwinding of the previously announced transaction and underlying agreement with Tree Chest Safety Corp. ("TCS") for the acquisition of TCS by EGF Theramed. Post-closing due diligence on the integration of TCS into EGF Theramed's corporate structure revealed matters that the parties could not agree upon resulting in the failure to fully effect closing of the transactions under the agreement between the parties including the issuance of any securities and/or cash consideration to TCS shareholders for the acquisition.

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20. ACQUISITIONS, BUSINESS COMBINATIONS, AND JOINT VENTURE: (continued)West Coast Medical Solutions Ltd.

On June 22, 2018, the Company had signed a letter of Intent to collaborate with West Coast Medical Solutions Ltd. ("WCMS") to form or acquire a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. The Company announced its cancellation of this pending acquisition on May 21, 2019.

21. SUBSEQUENT EVENTS:

On July 11, 2019, the Company settled \$350,000 of the convertible debenture owing for 35,000 common shares to a non-related party. As mutually agreed between the parties, the settlement price was \$10.00 per share that was the fair value of recent financing and other debt settlements. \$477,681 of the convertible debenture remains outstanding in addition to accrued interest (see Note 12(i))

On July 11, 2019, the Company issued an additional 5,000 common shares with a fair value of \$50,000 for compensation for past services pursuant to the operator agreement entered with Belt Energy and Biomass LLC.

On July 11, 2019, the Company issued an additional 25,000 milestone common shares with a fair value of \$100,000 for the final acquisition payment to acquire MGNL.

On July 21, 2019, the Company completed the spin out of EGF Health Holdings Corp. pursuant to its 2017 Plan of Arrangement.

On July 26, 2019, the Company ongoing standstill with Decanex, Inc., its research operator and former service provider under the GSA for the TULIP medical system has been settled with a mutual termination, settlement and option to acquire 100% ownership and interest in Decanex. The parties agreed to a mutual release and cancelling \$224,169 of accrued development fees that was an accrued liability owing by the Company that was recorded as recovered R&D expense as of June 30, 2019. In addition, any business intelligence or know-how (the "IP") in relation to the TULIP medical health system developed by Decanex for the Company that was under development would be made available to the Company, in accordance with the prior GSA. The option price to acquire Decanex is for consideration of \$1,000 in addition to 5% in cash royalty for a 10-year term, resulting from gross revenues generated by the IP.

On August 7, 2019, the Company entered into a \$350,000 senior convertible debenture financing. The convertible debentures notes will be 10% senior secured notes due five years from the date of issuance, issued in unit denominations of \$1,000 and each unit shall have 200 common share purchase warrants of the Company attached to it to be convertible at a price of \$5.00 per common share. In addition, each holder of units will receive a right to certain cash royalties pursuant to a Royalty Agreement, of 5% of gross revenues from the extraction operations. The convertible debenture notes shall also be secured against assets of the operations.

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(Expressed in Canadian dollars)

21. SUBSEQUENT EVENTS: (continued)

On October 3, 2019, the Company entered into an Operator Agreement retroactive to March 6, 2019 with Belt Energy and Biommas LLC. ("BEBL"), private Nevada operator via WASS. BEBL holds a license issued by the State of Nevada to grow, produce, process, and commercialize industrial hemp and products from industrial hemp. The Company has advanced funds from time to time since December 2018 to lease, development and build out its production facility that remains in progress for leasehold improvements and commissioning of equipment. The term of this agreement is for a period of 5 years and automatically renew for an additional 5 year period. In consideration, the Company will pay monthly consulting fees of USD\$7,500 and a royalty of 5% of net sales.

On October 22, 2019, the Company announced a name change to "EGF Theramed Health Corp." and 100:1 share consolidation. The symbol will remain (TMED) and a consolidation of its issued and outstanding share capital on the basis of one hundred (100) pre-consolidation shares for every one (1) post-consolidation common share. As a result, the outstanding shares of the company will be reduced to approximately 1,116,912. On October 24, 2019, the shares began trading under the new name and on a 100:1 consolidated basis with a new ISIN CA2684691033 and the new CUSIP 268469103.

On November 6 2019, the Company was notified of default and termination of the JV and the Company is continuing to settle outstanding matters under the JV, including TMED forfeiting its \$140,000 deposit and the cancellation and return to treasury of 100,000 common shares issued to the patent holder. (see Note 20)

Subsequent to year end, 10,818 warrants expired without being exercised.