



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

Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 (Q2s)  
*(Expressed in Canadian dollars)*

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## **NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), EGF Theramed Health Corp. (the “Company”) hereby informs all readers that the accompanying unaudited condensed interim consolidated financial statements of the Company have not been reviewed by its auditor and have prepared by and are the responsibility of management and Board of Directors for all financial statement information and reporting.

The attached unaudited condensed consolidated financial statements for the three and six months ended December 31, 2020 (Q2) have not been reviewed by the Company’s auditor and should be read in conjunction with the Company’s audited consolidated financial statements and management discussion and analysis (MD&A) on Form 51-102F1 for the year ended June 30, 2020, as filed on SEDAR.

### **MANAGEMENT’S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements (“Consolidated Financial Statements”) of the Company are the responsibility of the management and Board of Directors of the Company. The Consolidated Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the financial statement notes. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are compliant with *IAS 34 - Interim Financial Reporting* as issued by the International Accounting Standards Board.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Jatinder Dhaliwal  
Chief Executive Officer

Vancouver, BC  
February 26, 2021

**EGF Theramed Health Corp.**  
*(formerly, Theramed Health Corporation; Evitrade Health Systems Corp.)*  
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December 31, 2020

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

Interim Consolidated Statement of Financial Position

As at

*(Expressed in Canadian dollars)*

	Note	December 31, 2020 \$	June 30, 2020 \$
		(Unaudited)	(Audited)
<b>Assets</b>			
Cash and cash equivalents		33,997	363,542
Accounts receivable	4	145,355	124,268
Loan receivable	5	50,000	—
Marketable securities		217	217
Prepaid expenses	6	15,795	19,423
<b>Total current assets</b>		<b>245,364</b>	<b>507,450</b>
Deposits	7, 22	3,000	3,000
<b>Total assets</b>		<b>248,364</b>	<b>510,450</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	12, 19	1,116,356	912,692
Lease liability	16	791,327	807,855
Loans payable	15, 19	771,819	771,819
Management fees payable	19	50,000	50,000
Preferred shares	13, 22	3,000	3,000
<b>Total liabilities</b>		<b>2,732,502</b>	<b>2,545,366</b>
<b>Shareholders' deficiency</b>			
Share capital	14, 22	48,848,359	48,848,359
Contributed surplus	14	3,481,644	3,481,644
Equity portion of convertible debt	15	25,892	25,892
Non-controlling interest	14	(1,522,842)	(1,531,107)
Deficit		(53,317,191)	(52,859,704)
<b>Total shareholders' deficiency</b>		<b>(2,484,138)</b>	<b>(2,034,916)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>248,364</b>	<b>510,450</b>

*Going Concern (Note 2b)**Commitments (Note 21)**Plans of Arrangement (Note 22)**Subsequent Events (Note 23)*

*The accompanying notes are an integral part of these interim consolidated financial statements.*

Approved and authorized for issue by the Board of Directors on February 26, 2021:

***"Jatinder Dhaliwal"***Jatinder Dhaliwal, Director and CEO***"Usama Chaudhry"***Usama Chaudhry, Director and CFO

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

Interim Consolidated Statement of Loss and Comprehensive Loss

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

	Note	For the three months ended		For the six months ended	
		December 31, 2020 \$	December 31, 2019 \$	December 31, 2020 \$	December 31, 2019 \$
<b>Operating expenses</b>					
Bank and other charges		225	238	541	328
Consulting fees	19	8,310	115,552	21,179	308,485
Finance charges		—	12,537	—	224,296
Interest and accretion	15, 16	18,025	—	37,875	—
Investor communications		—	—	105,144	—
Listing fees		1,304	10,361	4,304	16,645
Management fees	19	67,500	74,600	135,000	149,603
Office and miscellaneous		6,150	1,074	6,150	1,285
Professional fees	19	131,366	10,000	140,464	22,005
Rent		15,000	59,480	30,000	119,207
Transfer agent and filing fees		17,443	14,588	22,908	16,298
Travel		119	1,539	119	1,539
Website and social media		—	—	1,484	—
<b>Operating loss before other items</b>		<b>(265,442)</b>	<b>(299,969)</b>	<b>(505,168)</b>	<b>(859,691)</b>
<b>Other items</b>					
Loss on marketable securities		—	—	—	(1,050)
Gain (loss) on foreign exchange		37,301	(82)	53,604	283
Interest revenue	5	2,342	—	2,342	—
Impairment loss		—	—	—	(250,000)
Loss on joint venture		—	—	—	(10,000)
<b>Total other items</b>		<b>39,643</b>	<b>(82)</b>	<b>55,946</b>	<b>(260,767)</b>
<b>Net loss and comprehensive loss</b>		<b>(225,799)</b>	<b>(300,051)</b>	<b>(449,222)</b>	<b>(1,120,458)</b>
<b>Total comprehensive loss is attributed to:</b>					
Shareholders of EGF Theramed Health Corp.		(235,437)	(281,669)	(457,487)	(1,102,076)
Non-controlling interest	14	9,638	(18,382)	8,265	(18,382)
Loss per common share (basic and diluted)		(0.01)	(0.24)	(0.02)	(1.09)
Weighted average number of common shares (basic and diluted)		18,452,804	1,179,546	18,452,804	1,008,985

*The accompanying notes are an integral part of these interim consolidated financial statements.*

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

Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

For the Six Months Ended December 31, 2020 and 2019

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

	Note	Number of Outstanding Shares	Share Capital \$	Equity Portion of Convertible Debts \$	Contributed Surplus \$	Shares to Be Cancelled \$	Change in Ownership Interest \$	Deficit \$	Non- Controlling Interest \$	Total Shareholders' Equity (Deficiency) \$
<b>Balance, June 30, 2019</b>		<b>1,114,546</b>	<b>32,335,553</b>	<b>25,892</b>	<b>1,968,562</b>	<b>(1,070,000)</b>	<b>—</b>	<b>(32,718,792)</b>	<b>—</b>	<b>541,215</b>
Common shares issued for services	14	5,000	50,000	—	—	—	—	—	—	50,000
Common shares issued for acquisition	14	25,000	250,000	—	—	—	—	—	—	250,000
Common shares issued to settle debt	14	35,000	350,000	—	—	—	—	—	—	350,000
Convertible debentures	14	—	—	104,590	204,400	—	—	—	—	308,990
Derecognition of divested subsidiary	14	—	(1)	—	—	—	—	645	—	644
Change in ownership interest	14	—	—	—	—	—	421,924	—	—	421,924
Non-controlling interest	14	—	—	—	—	—	—	—	(224,314)	(224,314)
Net comprehensive loss for the period	14	—	—	—	—	—	—	(1,102,076)	(18,382)	(1,120,458)
<b>Balance, December 31, 2019</b>		<b>1,179,546</b>	<b>32,985,552</b>	<b>130,482</b>	<b>2,172,962</b>	<b>(1,070,000)</b>	<b>421,924</b>	<b>(33,820,223)</b>	<b>(242,696)</b>	<b>578,001</b>
<b>Balance, June 30, 2020</b>		<b>18,452,804</b>	<b>48,848,359</b>	<b>25,892</b>	<b>3,481,644</b>	<b>—</b>	<b>—</b>	<b>(52,859,704)</b>	<b>(1,531,107)</b>	<b>(2,034,916)</b>
Net comprehensive income (loss) for the period		—	—	—	—	—	—	(457,487)	8,265	(449,222)
<b>Balance, December 31, 2020</b>		<b>18,452,804</b>	<b>48,848,359</b>	<b>25,892</b>	<b>3,481,644</b>	<b>—</b>	<b>—</b>	<b>(53,317,191)</b>	<b>(1,522,842)</b>	<b>(2,484,138)</b>

*The accompanying notes are an integral part of these interim consolidated financial statements.*

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

Interim Consolidated Statement of Cash Flows

For the Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

	2020	2019
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Comprehensive loss for the period	(449,222)	(1,120,458)
<u>Adjustments for non-cash items:</u>		
Impairment of intangible assets	—	250,000
Loss on marketable securities	—	1,050
Gain on foreign exchange	(54,403)	—
Interest and accretion	37,875	19,896
Interest from loan receivable	(2,342)	—
Shares issued for services	—	50,000
Derecognition of divested subsidiary	—	644
Finance charges on convertible debt	—	204,400
<u>Changes in non-cash working capital items:</u>		
Accounts receivable	(18,745)	(49,675)
Prepaid expenses	3,628	150,899
Accounts payable and accrued liabilities	203,664	73,887
Management fees payable	—	90,000
<b>Net cash used in operating activities</b>	<b>(279,545)</b>	<b>(329,357)</b>
<b>Cash Flows from Investing Activities</b>		
Construction in progress	—	(442,940)
Loans receivable	(50,000)	—
<b>Net cash used in investing activities</b>	<b>(50,000)</b>	<b>(442,940)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from convertible debt	—	350,000
Proceeds from loans payable, net of repayment	—	293,402
<b>Cash provided by financing activities</b>	<b>—</b>	<b>643,402</b>
Net decrease in cash and cash equivalents	(329,545)	(128,895)
Cash and cash equivalents, beginning of period	363,542	132,756
<b>Cash and cash equivalents, end of period</b>	<b>33,997</b>	<b>3,861</b>

*The accompanying notes are an integral part of these interim consolidated financial statements.*

## **EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### **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 Suite 1600 – 609 Granville Street, Vancouver, BC V7Y 1C3.

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

These interim consolidated financial statements (hereinafter the “consolidated financial statements”) of the Company for the six months ended December 31, 2020 have been prepared by management and reviewed and authorized for publication by the Board of Directors on February 26, 2021. The consolidated financial statements are made available to shareholders and other stakeholders through the System for Electronic Document Analysis and Retrieval (“SEDAR”).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds or the development of the Company’s products.

### **2. BASIS OF PRESENTATION:**

#### **a. Statement of compliance**

These consolidated financial statements for the six months ended December 31, 2020 (Q2) have been prepared in accordance with IAS 34 – Interim Financial Reporting and the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). These policies have been consistently applied to all years presented, unless otherwise stated. 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.



## **EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### **2. BASIS OF PRESENTATION: (continued)**

#### **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.

As a Company in early development stage, management does not anticipate generating operating revenues for several years, other than incidental revenue. At December 31, 2020, the Company had not yet achieved profitable operations, had recurring losses from continuing operations, and a cumulative deficit of \$53,317,191 (June 30, 2020: \$52,859,704) since inception and had working capital deficit of \$2,487,138 (June 30, 2020: \$2,037,916). The Company expects to incur further losses in the development of its business in subsequent periods.

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 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**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to the three elements of control listed above.

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### 2. BASIS OF PRESENTATION: (continued)

#### c. Principles of consolidation (continued)

The Company consolidates the financial statements of the following entities:

Subsidiary	Functional currency	Effective ownership
Hemp Extraction Technology Corp. ("HETC")	Canadian Dollar	100%
Western Agri Supply Solutions Inc. ("WASS")	Canadian dollar	50%
Medical Green Natural List Corp. ("MGNL")	Canadian dollar	100%

In addition to subsidiaries outlined above, there are several inactive numbered companies formed that are wholly-owned entities in relation to the Company's 2017 Plan of Arrangement (Note 22).

All inter-company balances, transactions and unrealized profits are eliminated on consolidation to the extent of the Company's interest in the entity.

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. The carrying amounts of the controlling and non-controlling interest area are adjusted to reflect the changes in their relative interests in subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in a separate reserve within equity attributed to the owners of the Company.

During the year ended June 30, 2020, the Company completed the acquisition of 40% interest in the equity of Green Parrot Labs Corp. ("Green Parrot") and 30% equity interest of Pharmadelic Labs Corp. ("Pharmadelic") (Note 10). The Company has no control over these entities but has significant influence over their operation and finance decisions. These investments are accounted using the equity method. Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

In November 2020, Green Parrot and Pharmadelic effected a merger of their shareholdings and operations through amalgamation. The company continuing from the amalgamation is known as Pharmadelic Labs Inc. As at December 31, 2020, the Company holds 33.06% ownership interest on Pharmadelic Labs Inc.

#### 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. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar. The presentation currency of these consolidated financial statements is the Canadian dollar.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**2. BASIS OF PRESENTATION: (continued)**

e. Functional and presentation currency

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

Functional currency is the currency of the primary economic environment in which the reporting entity operates and is normally the currency in which the entity substantially generates and expends cash. Each entity in the group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income (loss) and comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation

Assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates and their revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive loss.

f. Significant accounting judgments and estimates

The preparation of these consolidated 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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:

## **EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### **2. BASIS OF PRESENTATION: (continued)**

#### f. Significant accounting judgments and estimates (continued)

##### 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:

##### (i) Share-based compensation

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 the 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. (Note 14)

##### (ii) Impairment of financial assets

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

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 assets.

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.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**2. BASIS OF PRESENTATION: (continued)**

## f. Significant accounting judgments and estimates (continued)

Estimates: (continued)

## (iii) 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.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below are in effect for the years ended June 30, 2020 and 2019 and have been applied consistently to all periods presented in these consolidated financial statements except otherwise noted.

## 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. Share-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.

## 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

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### c. Deferred income taxes (continued)

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

The following is the Company's accounting policy for financial instruments under IFRS 9:

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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

Financial assets	IFRS 9 CLASSIFICATION
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Loan receivable	Amortized cost
Marketable securities	FVTPL
Accounts payable	Amortized cost
Management fees payable	Amortized cost
Loans payable	Amortized cost

#### *Measurement*

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### d. Financial instruments (continued)

##### *Measurement (continued)*

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

##### Financial assets through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Equity instruments designated as FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

##### *Derecognition*

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

##### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

d. Financial instruments (continued)

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Impairment of non-financial assets*

At the end of each reporting period, the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

e. 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.

Preferred shares are 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 and approval by the Company's shareholders. Preferred shares are classified as 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.



**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

## f. Comprehensive income (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.

## g. 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.

## h. 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.

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.

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

#### i. Joint venture

In accordance with *IFRS 11 Joint Arrangements*, activities through joint ventures are recognized through profit or loss as incurred in accordance with the Company proportion share of equity. During the six months ended December 31, 2020, the Company recorded a loss on joint venture of \$Nil (2019: \$10,000).

#### j. 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.

#### k. Convertible debentures

Convertible debentures issued with variable conversion feature are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which will be accreted to face value over the life of the debenture. The derivative liability is remeasured at fair value at each period subsequent to initial recognition.

Convertible debentures issued with fixed-for-fixed equity conversion feature are initially discounted at the market rate without conversion feature and the residual value is allocated to an equity reserve. Subsequently the debt component is kept at amortized cost.

#### l. Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**3. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**l. Research and development (continued)**

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in the loss in the period in which the expenditure is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At December 31, 2020, the Company had not recognized any internally-generated intangible assets and had recorded all amounts incurred as research costs.

**m. New standard adopted – Leases**

This is the first period for which the Company has applied IFRS 16. The Company has adopted IFRS 16 on a modified retrospective approach. This new standard replaces IAS 17 Leases and the related interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. There has been no adjustment to these financial statements as a result of the transition to IFRS 16 as of July 1, 2019. Comparative figures for 2019 have not been restated as a result of applying the modified retrospective approach.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***3. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

## m. New standard adopted – Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The Company's right-of-use asset is fully impaired in current year (Note 9).

**4. ACCOUNTS RECEIVABLE:**

	December 31, 2020 \$	June 30, 2020 \$
Accounts receivable	2,075	2,075
Advances receivable	13,278	6,511
HST /GST recoverable	127,660	115,682
Total	145,355	124,268

On November 6, 2019, the Company was advised of the termination of its JV with B-Organic R&D Corp. and has recognized a rescission receivable of \$360,000 for prior JV advances to be repaid to the Company. During the year ended June 30, 2020, the Company determined that the receivable balance from the JV was not collectable and therefore the balance of \$360,000 was fully impaired. The Company also impaired additional account receivable for \$40,000 related to funds advance to 1139179 Ontario Inc. during the year ended June 30, 2020.

**5. LOAN RECEIVABLE:**

In connection with the acquisition of Pharmadelic (Note 10), the Company issued promissory notes to the Pharmadelic for \$125,000 on May 8, 2020 and \$50,000 on June 16, 2020. These loans bear a simple interest rate of 10% per annum and are due and payable 24 months from the date of the promissory notes. During the year ended June 30, 2020, the loans receivable of \$175,000 and interest of \$2,007 were fully impaired.

In connection with the acquisition of Green Parrot (Note 10), the Company issued promissory notes to Green Parrot for \$50,000 on July 13, 2020. These loans bear a simple interest rate of 10% per annum and are due and payable 24 months from the date of the promissory notes. As at December 31, 2020, the Company earned interest of \$2,342.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***6. PREPAID EXPENSES:**

	December 31, 2020 \$	June 30, 2020 \$
Business services	495	4,423
Management fees	15,000	15,000
Retainer legal fees	300	—
Total	15,795	19,423

**7. DEPOSITS:**

	December 31, 2020 \$	June 30, 2020 \$
Plans of arrangement (Note 22)	3,000	3,000
Total	3,000	3,000

The Company reduced deposits by \$1,000 during the year ended June 30, 2020 regarding the spin out (divesting) of EGF Health Holdings Corp. on July 26, 2019 pursuant to the 2017 Plan of Arrangement (Note 22).

**8. INTANGIBLE ASSETS:**

On July 26, 2019, the Company's agreement with Decanex, Inc. ("Decanex"), its research operator and former service provider under the General Service Agreement ("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 research and development 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 November 6, 2019, the Company was notified of default and termination of the joint venture with B-Organic R&D Corp. and the Company is continuing to settle outstanding matters under the joint venture, including the Company forfeiting its \$140,000 deposit and the cancellation and return to treasury of 100,000 common shares issued to the patent holder. On January 23, 2020, the pretend holder returned the 100,000 common shares issued relating the joint venture with a fair value of \$1,070,000 to treasury (Note 14).

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***9. PROPERTY, PLANT AND EQUIPMENT:**

	December 31, 2020 \$	June 30, 2020 \$
Equipment	—	973,242
Impairment	—	(973,242)
Net book value	—	—

Equipment and construction in progress were for the lease facility used for production and manufacturing located in Las Vegas, Nevada, USA via WASS (the “Facility”) with no amortization recognized or recorded to date as the equipment is still undergoing installation and testing.

The Company is currently in a litigation with the landlord of the Facility due to the default of the lease payment of USD116,789. The Company is currently in discussions to resolve the litigation arising from the default and during this discussion period, the Company will not have access to the facility where the equipment is placed and the construction in progress that has been carrying out until matters are resolved. Due to this fact, the Company fully impaired the carrying value of the equipment of \$973,242 and the carrying value of construction in progress of \$ 1,762,533 in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2020.

The lease agreement for the Facility is effective from December 1, 2018 continuing to November 30, 2023. The following is a continuity schedule of right-of-use asset, recognized at the adoption date of IFRS 16 July 1, 2019:

<b>Cost:</b>		
<b>Balance, June 30, 2019</b>	\$	—
Additions		846,180
<b>Balance, June 30, 2020 and December 31, 2020</b>		<b>846,180</b>
<b>Accumulated amortization:</b>		
<b>Balance, June 30, 2019</b>	\$	—
Additions		(176,360)
<b>Balance, June 30, 2020 and December 31, 2020</b>		<b>(176,360)</b>
<b>Impairment</b>		<b>(669,820)</b>
<b>Net book value:</b>		
<b>Balance, June 30, 2020 and December 31, 2020</b>	\$	—

The right-of-use asset relates to leased facility with an associated lease liability (Note 16). The discount rate applied to the lease is 12% per annum. During the year ended June 30, 2020, the Company fully impaired the right-of-use asset and recognized impairment of \$669,820 in the consolidated statement of loss and comprehensive loss due to the ongoing litigation with the landlord.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***10. INVESTMENTS IN PHARMADELIC AND GREEN PARROT:**

On May 6, 2020, the Company acquired a 30% equity interest of Pharmadelic throughout the issuance of 4,000,000 common shares of the Company ("Pharmadelic's Consideration Shares") to the shareholders of Pharmadelic. 2,395,480 common shares of the Pharmadelic's Consideration Shares are subject to certain pooling restrictions being released in 12 monthly installments commencing four months after the closing of the acquisition. The Company also issued 225,000 common shares in payment of finders' fees to arm's-length parties.

The fair value of the Pharmadelic's Consideration Shares and the issued 225,000 common shares in payment of finders' fees were determined as follow:

Pharmadelic's Consideration Shares	\$	5,600,000
Finders shares		315,000
Restricted share discount		(909,169)
<b>Total fair value of consideration paid</b>	<b>\$</b>	<b>5,005,831</b>

Pharmadelic is a private company which is a developing proprietary genetic process to help create pharmaceutical grade psilocybin-derived ingredients in a synthetic lab environment. Pharmadelic is still at research stage and no technical feasibility has been yet achieved. As result, the fair value of the consideration paid was fully impaired in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2020.

On May 26, 2020, the Company acquired a 40% equity interest of Green Parrot throughout the issuance of 7,800,000 common shares of the Company ("Green Parrot's Consideration Shares") to the shareholders of Green Parrot. 2,103,000 common shares of the Green Parrot's Consideration Shares are subject to certain pooling restrictions being released in 12 monthly installments commencing four months after the closing of the acquisition. The Company also issued 200,000 common shares in payment of finders' fees to arm's-length parties.

The fair value of the Green Parrot's Consideration Shares and the issued 200,000 common shares in payment of finders' fees were determined as follow:

Green Parrot's Consideration Shares	\$	10,998,000
Finders shares		282,000
Restricted share discount		(872,246)
<b>Total fair value of consideration paid</b>	<b>\$</b>	<b>10,407,754</b>

Green Parrot is a private company that plans to offer wellness centres and research and development into biosynthesis pathways for psilocybin and cannabinoids in the Caribbean. Green Parrot is still at research stage and no technical feasibility has been yet achieved. As result, the fair value of the consideration paid was fully impaired in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2020.

In November 2020, Green Parrot and Pharmadelic effected a merger of their shareholdings and operations through amalgamation. The company continuing from the amalgamation is known as Pharmadelic Labs Inc. As at December 31, 2020, the Company holds 33.06% ownership interest on Pharmadelic Labs Inc.

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

### 11. ACQUISITIONS, BUSINESS COMBINATION 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% 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 was 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. (Note 14)

The JV was terminated on November 6, 2019 due to Company's default of its financial commitments.

#### Acquisitions and Business Combinations

##### Hemp Extraction Technology Corp.

On October 2, 2018, the Company closed on the acquisition of 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 (Note 14). 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.

Fair value of 233,333 common shares issued	\$	5,880,000
<u>Allocated as follow:</u>		
Cash		848,812
Prepays		296,273
Goodwill		4,734,915
	\$	5,880,000

##### Western Agri Supply Solutions Corp.

On October 16, 2018, the Company closed the acquisition of 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 (Note 14). 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.



**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***11. ACQUISITIONS, BUSINESS COMBINATION AND JOINT VENTURE: (continued)****Acquisitions and Business Combinations (continued)**

Fair value of 200,000 common shares issued	\$	5,960,000
<u>Allocated as follow:</u>		
Accounts payable		(52,948)
Goodwill		6,012,948
	\$	5,960,000

Medical Green Natural List Corp.

On May 14, 2019, the Company signed a binding letter of intent to acquire MGNL with the business consisting of software and portal for a medical marketplace application, which connects buyers with sellers. The purchase price of the transaction is \$941,111 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 (the "Contingent Consideration") upon the successful launch of the Green List application (Note 14). 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 \$1,091,120 allocated to the intangible asset which it was determined to be fully impaired in the year ended June 30, 2019.

Fair value of 70,370 common shares issued	\$	591,111
Cash paid		250,000
Contingent consideration		250,000
Total consideration paid		1,091,111
<u>Allocated as follow:</u>		
Cash		90
Accounts payable		(99)
Goodwill		1,091,120
	\$	1,091,111

The application was launched in July 2019 and the Company settled the Contingent Consideration with the issuance of 25,000 common shares of the Company with a fair value of \$150,000 (Note 14). The Company recognized a gain of \$100,000 on the settlement of the Contingent Consideration in the Consolidated Statement of Loss and Comprehensive Loss for the year ended June 30, 2020.

**12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:**

	December 31, 2020	June 30, 2020
	\$	\$
Amount owing to third parties	883,856	752,692
Due to related parties (Note 19)	232,500	160,000
	1,116,356	912,692

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***13. REDEEMABLE PREFERRED SHARES:**

- (a) Authorized: unlimited Class A - preferred shares
- (b) Issued:

	December 31, 2020		June 30, 2020	
	Shares	Amount, \$	Amount, \$	Amount, \$
Class A preferred shares				
Balance, beginning of period	23,370,795	3,000	31,161,060	4,000
Issued – Plans of Arrangement	—	—	(7,7902,265)	(1,000)
Balance, end of period	23,370,795	3,000	23,370,795	3,000

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 (Note 22).

On July 26, 2019, the Company completed the spin out (divesting) of EGF Health Holdings Corp by the distribution of 7,790,265 Class Redeemable preferred shares to its shareholders (Note 22).

As at December 31, 2020, the Company had 23,370,795 (June 30, 2020: 23,370,795) mandatorily convertible Class (or series) A preferred shares with a fair value of \$3,000 outstanding which will be redeemed once the spin-out (divesting) transactions are completed under the 2017 Plans of Arrangement (Note 22).

**14. SHARE CAPITAL:**

- (a) Authorized: unlimited common shares, without par value; and unlimited preferred shares, without par value.
- (b) Issued and outstanding: 18,452,804 common shares issued and outstanding as of December 31, 2020 (June 30, 2020: 18,452,804)

During the six months ended December 31, 2020, no common shares were issued by the Company.

During the year ended June 30, 2020, the following transactions occurred:

On July 11, 2019, the Company:

- settled \$350,000 of loan owing to the CEO with issuance of 35,000 common shares with a fair value of \$210,000. A gain on the settlement for \$140,000 was recognized in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2020.
- issued 5,000 common shares with a fair value of \$30,000 for compensation for past services pursuant to the operator agreement entered with Belt Energy and Biomass LLC. A gain on the settlement for \$20,000 was recognized in the consolidated statements of loss and comprehensive loss for the year ended June 30, 2020.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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**14. SHARE CAPITAL: (continued)**

## (b) Issued and outstanding: (continued)

During the year ended June 30, 2020, the following transactions occurred: (continued)

- issued 25,000 milestone common shares with a fair value of \$150,000 for the final acquisition payment to acquire MGNL (Note 11).

On January 23, 2020, 100,000 common shares were returned to treasury related to share issued for a joint venture with a fair value of \$1,070,000 (Note 8).

On April 22, 2020, the Company closed a private placement of 2,860,000 units at a price of \$0.50 per unit for gross proceeds of \$1,430,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.75 for a period of 18 months from the closing of the offering. In connection with the private placement, the Company paid cash finders' fees of \$74,396 and issued 57,000 finders' warrants with fair value of \$54,313 at an exercise price of \$0.75, expiring 18 months from the date of issue.

On April 29, 2020, Company closed on an additional 540,000 units at a price of \$0.50 per unit for gross proceeds of \$270,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.75 for a period of 18 months from the closing of the offering.

On May 6, 2020, the Company issued an aggregate of 4,000,000 common shares with a fair value of \$4,690,831 in exchange for 26,550,000 common shares of Pharmadelic, representing a 30% interest in Pharmadelic (Note 10). The Company also issued 225,000 common shares in payment of finders' fees to arm's-length parties with a fair value of \$315,000 (Note 10).

On May 25, 2020, the Company issued an aggregate of 7,800,000 common shares with a fair value of \$10,125,754 in exchange for 15,600,000 common shares of Green Parrot, representing a 40% interest in Green Parrot (Note 10). The Company also issued 200,000 common shares in payment of finders' fees to arm's-length parties with a fair value of \$282,000 (Note 10).

On June 3, 2020, 75,000 options were exercised for a cash proceed of \$75,000.

On June 16, 2020, the Company closed a private placement 1,166,666 units of a non-brokered private placement at a price of \$0.75 per unit for total consideration of \$875,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at a price of \$1.50 for a period of 24 months from the closing of the offering. Included in the units issued are 506,592 units issued on the conversion of \$350,000 convertible debentures plus accrued interest to share capital (Note 15).

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***14. SHARE CAPITAL: (continued)**

- (c) Share purchase warrants:

As of December 31, 2020, the following warrants were outstanding and exercisable:

<b>Warrants Outstanding and Exercisable</b>	<b>Exercise Price, \$</b>	<b>Expiry Date</b>
867	150.00	March 16, 2021
1,333	150.00	April 7, 2021
150,000	25.00	December 20, 2022
70,230	15.00	May 21, 2022
11,590	15.00	June 7, 2022
836,629	1.50	June 16, 2022
<b>1,070,649</b>		

During the six months ended December 31, 2020, 3,460,300 share purchase warrants expired without being exercised.

On April 22, 2020, 2,860,000 warrants valued at \$937,862 and 57,000 finders' warrants valued at \$54,313 using Black-Sholes Option Pricing Model were issued in connection with the private placement.

On April 29, 2020, 540,000 warrants valued at \$151,564 using Black-Sholes Option Pricing Model were issued in connection with the private placement.

On June 16, 2020, 836,629 warrants valued at \$305,460 using Black-Sholes Option Pricing Model were issued in connection with the private placement.

The fair value of the warrants issued were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<b>April 22, 2020</b>	<b>April 29, 2020</b>	<b>June 16, 2020</b>
Estimated risk-free rate	0.34%	0.30%	0.26%
Expected volatility	227.58%	229.73%	231.27%
Estimated annual dividend yield	0.00%	0.00%	0.00%
Expected life of warrants	1.5 years	1.5 years	2.0 years
Stock price at issue date	\$1.10	\$0.76	\$0.66
Forfeiture rate	0.00%	0.00%	0.00%

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***14. SHARE CAPITAL: (continued)**

## (c) Share purchase warrants: (continued)

A summary of the Company's issued and outstanding warrants as at December 31, 2020 and during the period is presented below:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price, \$</b>
<b>Balance, June 30, 2019</b>	<b>248,138</b>	<b>28.06</b>
Issued	4,293,629	0.90
Expired	(10,818)	(1.50)
<b>Balance, June 30, 2020</b>	<b>4,530,949</b>	<b>2.03</b>
Expired	(3,460,300)	(0.76)
<b>Balance, December 31, 2020</b>	<b>1,070,649</b>	<b>6.13</b>

The weighted average life of warrants outstanding is 1.52 years as at December 31, 2020.

## (d) Stock options:

On April 30, 2020, 175,000 stock options valued at \$111,795 using Black-Sholes Option Pricing Model were granted to the current CEO and a former CEO of the Company at a price of \$1.00 per share, vested immediately and expiring two years from the date of grant.

The fair value of the stock options granted were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Estimated risk-free rate	1.60%
Expected volatility	207.90%
Estimated annual dividend yield	0.00%
Expected life of options	2 years
Stock price at issue date	\$0.76
Forfeiture rate	0.00%

A summary of the Company's granted and outstanding options as at December 31, 2020 is presented below:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price, \$</b>
<b>Balance, June 30, 2019 and 2018</b>	<b>—</b>	<b>—</b>
Granted	175,000	1.00
Exercised	(75,000)	1.00
<b>Balance, June 30, 2020 and December 31, 2020</b>	<b>100,000</b>	<b>1.00</b>

The weighted average life of warrants outstanding is 1.33 years as at December 31, 2020.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***14. SHARE CAPITAL: (continued)**

## (e) Non-controlling interest

On December 5, 2019, the Company's subsidiary, WASS closed a private placement for 100,000 Class A common shares with a fair value of \$197,610 (US\$ 150,000). As a result of the private placement, WASS is no longer a wholly-owned subsidiary of the Company, and the Company maintains a 50% interest in WASS. The non-controlling interest was recognized at the non-controlling interest's proportionate share of net assets of WASS amounting to \$139,115.

## (f) Reserves – equity portion and contributed surplus

Contributed surplus records the fair value of the common shares purchases warrants (Note 14c) and items recognized as stock-based compensation expenses (Note 14d). At the time the warrants or options are exercised, the corresponding amount will be transferred to share capital. The equity portion of convertible debts reserve includes the discount amount of the convertible debentures with fixed-for-fixed conversion feature (Note 15).

**15. DEBTS:**

## (a) Convertible debentures

A summary of the Company's outstanding convertible debentures as at December 31, 2020 and during the period is presented below:

<b>Balance, June 30, 2019</b>	<b>\$</b>	<b>827,681</b>
Issuance of \$350,000 convertible debentures		239,949
Interests and accretion expenses		44,295
Loan converted into unsecured loan (Note 15b)		(606,787)
Repayment in cash		(220,894)
Conversion of \$350,000 convertibles debentures into share capital		(284,244)
<b>Balance, June 30, 2020 and December 31, 2020</b>	<b>\$</b>	<b>—</b>

As of December 31, 2020, the balance on convertible debentures originating in 2017, including accretion, is \$Nil (June 30, 2020: \$Nil) with \$350,000 settled on July 11, 2019 by the issuance of 35,000 shares with a fair value of \$210,000 (Note 14).

On July 25, 2019, the Company entered into a \$350,000 senior convertible debenture financing with Haywood Securities Inc. The convertible debentures notes are 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. The convertible debenture and the interest can be converted into common shares at the closing price at the date of the payment. In no event shall common shares be issued at a deemed price per share of less than \$0.50.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***15. DEBTS:****(a) Convertible debentures (continued)**

As the conversion price is variable, the Company accounted the convertible debentures, based on IAS 32, as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which is recorded at amortised cost and will be accreted to face value over the life of the convertible note. The derivative liability component is remeasured at fair value at each period subsequent to initial recognition. The debt component of the convertible debenture was determined at inception using the discount rate of 20% allocating the residual value to the derivative liability.

On June 16, 2020, the debenture holders converted 100% of the convertible debenture plus accrued interest for 506,592 common shares (Note 14). The price of conversion of \$0.75 was agreed with the debenture holders which was higher than the market price at the day of conversion (\$0.66). As result, the settlement was considered as modification of the conversion price per original agreement and again of \$46,430 on the settlement was recognized in the consolidated statement of loss and comprehensive loss. The fair value of the derivative liability at conversion date was determined using the Black-Scholes Option Pricing Model (stock price \$0.66, expected life 4.13 years, volatility 205.36%, Estimated annual dividend yield 0% and risk-free rate of 1.40%)

The Company recognized during the year ended June 30, 2020 interest and accretion expenses for this convertible debenture of \$44,295 and a change in fair value of the derivative liability for the conversion feature of \$257,039 in consolidated statement of loss and comprehensive loss.

The Company issued on February 28, 2016 convertible debentures totally \$827,681 bearing interest at 10% per annum due 18 months after the date of issuance and convertible into common shares of the Company at the price of \$75 per shares. The convertible debentures were neither repaid nor converted at maturity in the previous years. The Company agreed with the lender to convert the full amount of the principal of \$606,787 and accrued interest of \$175,538 into an unsecured loan due on demand without interest and no conversion feature. The Company repaid the remaining balance of \$220,894.

**(b) Unsecured loans payable**

A summary of the Company's unsecured demand loans as at December 31, 2020 and June 30, 2020 is presented below:

	<b>December 31, 2020</b>	<b>June 30, 2020</b>
	<b>\$</b>	<b>\$</b>
Amount owing to third parties	<b>203,074</b>	203,074
Amount owing to related parties (Note 19)	<b>568,745</b>	568,745
	<b>771,819</b>	<b>771,819</b>

Amounts are non-interest bearing with no specific terms of repayment.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***16. LEASE LIABILITY**

The Company adopted IFRS 16 on July 1, 2019 and the lease liability of the Facility (Note 9) was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discounted rate of 12% per annum, which represents the Company's estimated incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the period ended December 31, 2020:

<b>Balance, June 30, 2019</b>	<b>\$</b>	<b>—</b>
Lease additions (Note 9)		846,180
Lease payments		(122,652)
Interest on lease liability		83,084
Loss on foreign exchange		1,243
<b>Balance, June 30 2020</b>	<b>\$</b>	<b>807,855</b>
Interest on lease liability		37,875
Gain on foreign exchange		(54,403)
<b>Balance, December 31, 2020</b>	<b>\$</b>	<b>791,327</b>

As the Company was in default under the lease agreement at December 31, 2020, the entire balance owing is classified as a current liability (Note 20).

**16. 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.



**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***17. FINANCIAL AND CAPITAL RISK MANAGEMENT: (continued)**

## b. Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's credit risk was primarily attributable to bank balances and GST/HST 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.

## 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 December 31, 2020, the Company had a cash balance of \$33,997 (June 30, 2020: \$363,542) and accounts payable and accrued liabilities of \$1,116,356 (June 30, 2020: \$912,692). 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 \$2,487,138 (June 30, 2020: \$2,037,916).

## 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.

## 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:

	<b>December 31, 2020</b>	June 30, 2020
Cash	<b>US\$ 3,000</b>	US\$ 3,000
Accounts payable	<b>US\$ 359,650</b>	US\$ 359,650

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 \$35,665 (June 30, 2020 - \$35,665) in income/loss from operations.

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***18. 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:

- a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- b. 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).
- c. 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 December 31, 2020 and June 30, 2020:

	December 31, 2020		June 30, 2020	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash and cash equivalents	\$ 33,997	—	\$ 363,542	—
Marketable securities	\$ 217	—	\$ 217	—

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.

**18. RELATED PARTY TRANSACTIONS:**

Related party transactions are in the normal course of operations and are made in terms equivalent to those that prevail in arm's length transactions, which is the amount of consideration established and agreed to by the related parties.

The following is a summary of the related party transactions that occurred throughout the six months ended December 31, 2020:

- (a) As at the year ended June 30, 2020, the amount payable to David Bentil, former CEO and director of the Company, was \$59,500. During the six months ended December 31, 2020, the Company processed \$10,000 payment. As at December 31, 2020, the accounts payable to David Bentil was \$49,500.
- (b) As at the year ended June 30, 2020, the amount payable to Jatinder Dhaliwal, CEO and director of the Company, was \$65,000. During the six months ended December 31, 2020, the Company accrued \$75,000 in management fees and processed \$45,000 payment. As at December 31, 2020, the accounts payable to Jatinder Dhaliwal was \$95,000.

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### 19. RELATED PARTY TRANSACTIONS: (continued)

- (c) As at December 31, 2020, loans payable includes \$25,000 owing to Jatinder Dhaliwal, CEO and director of the Company. The loan is unsecured, due on demand, and bears no interest.
- (d) As at the year ended June 30, 2020, the accounts payable to Chaudhry U Consulting Inc., a company owned and controlled by Usama Chaudhry, CFO and director of the Company, was \$25,500. During the six months ended December 31, 2020, the Company accrued \$60,000 in management fees and processed \$15,000 payments. As at December 31, 2020, the accounts payable to Chaudhry U Consulting Inc. was \$70,500.
- (e) As at December 31, 2020, management fees payable to Sydney Au, a former director of the Company, was \$50,000, and the loan payable was \$82,719. The loan payable to 918368 B.C. Ltd., a company controlled and owned by Sydney Au, was \$166,000.
- (f) As at December 31, 2020, amount payable to Faisal Manji, a former director and CFO of the Company, was \$17,500.
- (g) As at December 31, 2020, loans payable includes \$295,000 to Canland Health Corp., a company owned by a former director of the Company, and \$26 to Ron Ozols, a former director of the Company. The loans are unsecured, due on demand and bear no interest.

The following is a summary of the related party transactions that occurred throughout the year ended June 30, 2020:

- (a) As at the year ended June 30, 2019, management fees payable to Sydney Au, a former director of the Company, totalled \$265,000. During the year ended June 30, 2020, the Company paid or accrued management fees of \$135,000 to Sydney Au. As at June 30, 2020, management fees payable to Sydney Au were \$50,000 (Note 12).
- (b) At the year ended June 30, 2019, loans payable to Sydney Au totalled \$87,443. During the year ended June 30, 2020, the Company repaid \$4,724 to Sydney Au. As at June 30, 2020, loans payable to Sydney Au were \$82,719 (Note 15). The loans are unsecured, due on demand, and bear no interest.
- (c) At the year ended June 30, 2019, loans payable to 918368 B.C. Ltd, a company controlled by Sydney Au, totalled \$326,000. During the year ended June 30, 2020, 918368 B.C. Ltd. loaned \$25,000 to the Company for general working capital and to fund the Company's ongoing operations; and assigned \$185,000 to a third party. As at June 30, 2020, loans payable to 918368 B.C. Ltd. were \$166,000. The loans are unsecured, due on demand, and bear no interest (Note 15).
- (d) As at the year ended June 30, 2019, the amount payable to David Bentil, former CEO and director of the Company, was \$Nil. During the year ended June 30, 2020, the Company paid or accrued \$12,500 in consulting fees prior to him joining the Company as CEO and director and \$50,000 in management fees. As at June 30, 2020, accounts payable to David Bentil totalled \$59,500 (Note 12).

**EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)***19. RELATED PARTY TRANSACTIONS: (continued)**

- (e) On April 30, 2020, 100,000 stock options with the fair value of \$63,883 using Black-Sholes Option Pricing Model were granted to David Bentil.
- (f) As at the year ended June 30, 2019, the amount payable to Jatinder Dhaliwal, CEO and director of the Company, was \$Nil. During the year ended June 30, 2020, the Company paid or accrued \$12,500 in consulting fees prior to him joining the Company as a director and \$62,500 in management fees. As at June 30, 2020, accounts payable to Jatinder Dhaliwal totalled \$65,000 (Note 12).
- (g) At the year ended June 30, 2020, loans payable includes \$25,000 owing to Jatinder Dhaliwal, CEO and director of the Company (Note 15). The loan is unsecured, due on demand, and bear no interest.
- (h) On April 30, 2020, 75,000 stock options with a fair value of \$47,912, using Black-Sholes Option Pricing Model were granted to Jatinder Dhaliwal.
- (i) As at the year ended June 30, 2019, amount payable to Faisal Manji, a former director of the Company, was \$Nil. During the year ended June 30, 2020, the Company paid or accrued accounting fees of \$10,000 to Faisal Manji. As at June 30, 2020, the amount payable to Faisal Manji was \$10,000 (Note 12).
- (j) As at the year ended June 30, 2019, loans payable to Canland Health Corp., a company owned and controlled by C K Cheung, a former director of the Company, was \$Nil. During the year ended June 30, 2020, Canland Health Corp. loaned \$295,000 to the Company for general working capital and to fund the Company's ongoing operations. As at June 30, 2020, the loans payable to Canland Health Corp. was \$295,000 (Note 15). The loans are unsecured, due on demand, and bear no interest.
- (k) During the year ended June 30, 2020, the Company paid or accrued \$30,000 to Chaudhry U Consulting Inc., a company owned by Usama Chaudhry, CFO and director of the Company. As at June 30, 2020, the accounts payable to Chaudhry U Consulting Inc. totalled \$25,500 (Note 12).
- (l) As at the year ended June 30, 2019, loans payable to Ron Ozols, former director of the Company, was \$7,000. During the year ended June 30, 2020, the Company repaid \$7,000 to Ron Ozols and Ron Ozols loaned \$26 to the Company. As at June 30, 2020, loans payable to Ron Ozols totalled \$26 (Note 15). The loans are unsecured, due on demand, and bear no interest.

*Compensation on key management personnel*

<b>Six months ended December 31,</b>	<b>2020</b>	<b>2019</b>
Management fees	\$ 135,000	\$ 100,000
	<b>\$ 135,000</b>	<b>\$ 100,000</b>

  

<b>Three months ended December 31,</b>	<b>2020</b>	<b>2019</b>
Management fees	\$ 67,500	\$ 55,000
	<b>\$ 67,500</b>	<b>\$ 55,000</b>

## EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

### 20. LEGAL MATTERS:

On August 10, 2020, the Company received a notice to intent to re-enter property to the Facility (Note 9) due to the default of lease payments for the amount of USD116,789. The Company is currently in discussions to resolve the litigation arising from the default and during this discussion period, the Company will not have access to the facility where the equipment is placed and the construction in progress that has been carrying out until matters are resolved. The lease agreement is expiring on November 30, 2023 and it's uncancellable. The Company carried the full liability of the lease in accordance with IFRS 16 (Note 16).

### 21. COMMITMENTS:

The Company has the following commitments under various agreements as at December 31, 2020:

	Commitment Type	Total \$	Within 1 year \$	Within 2-5 years \$
Extraction facility (i)	Lease	1,110,775	555,753	555,022
Equipment purchase (ii)	Extraction equipment	463,341	463,341	—
<b>Total</b>		<b>1,574,116</b>	<b>1,019,094</b>	<b>555,022</b>

The Company has the following commitments under various agreements as at June 30, 2020:

	Commitment Type	Total \$	Within 1 year \$	Within 2-5 years \$
Extraction facility (i)	Lease	1,110,775	421,379	689,396
Equipment purchase (ii)	Extraction equipment	463,341	463,341	—
<b>Total</b>		<b>1,574,116</b>	<b>884,720</b>	<b>689,396</b>

- (i) 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 (Notes 9, 16 and 20)
- (ii) Equipment purchase commitments of \$463,341 for the remaining balance on the HETC extraction machine.

### 22. PLANS OF ARRANGEMENT:

#### 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.

## **EGF Theramed Health Corp.**

Notes to the Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020 and 2019

*(Unaudited - Expressed in Canadian dollars)*

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### **22. PLANS OF ARRANGEMENT: (continued)**

On July 26, 2019, the Company completed the spin out (divesting) of EGF Health Holdings Corp. by the distribution of 7,790,265 Class Redeemable preferred shares to its shareholders (Note 13).

As of December 31, 2020, the Company has \$3,000 (June 30, 2020: \$3,000) in remaining deposits related to contemplated spin outs under the 2017-POA. The Company anticipates completing the arrangements for other spin outs in fiscal 2021.

#### 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.

### **23. SUBSEQUENT EVENTS:**

On December 14, 2020, the Company has entered into a letter of intent to acquire all of the issued and outstanding shares of Seedadelic Med Corp., a private Ontario corporation, in exchange for the issuance of 15,000,000 common shares of the Company at a deemed price of \$0.115 per common share to Seedadelic shareholders. The Company has also agreed to pay a finders' fee on the closing of the proposed transaction. The transaction has not yet completed as at December 31, 2020.

In January 2021, the Company completed its previously announced private placement and issued 4,404,182 units at a price of \$0.12 per unit for gross proceeds of \$528,502. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, exercisable to acquire an additional common share of the Company at a price of \$0.20 for a period of 12 months from the date of issuance.

In connection with the issuance, the Company paid cash finders' fees of \$16,302 and issued 135,850 finders' warrants, with each finders' warrant exercisable to acquire an additional common share of the Company at a price of \$0.20 for a period of 12 months from the date of issuance.

On January 15, 2020, the Company issued 50,000 common shares at a deemed price of \$0.15 per common share, in settlement of the outstanding indebtedness of \$7,500, owing to an arm's-length creditor, in consideration for services previously provided to the Company.