



**EGF THERAMED HEALTH CORP.**

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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**EGF Theramed Health Corp.**  
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June 30, 2021

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EGF Theramed Health Corp.

### Opinion

We have audited the consolidated financial statements of EGF Theramed Health Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

A handwritten signature in blue ink that reads "DMCL".

**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, BC  
November 1, 2021



An independent firm  
associated with Moore  
Global Network Limited

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**EGF THERAMED HEALTH CORP.**

## Consolidated Statements of Financial Position

As at

*(Expressed in Canadian dollars)*

	Note	June 30, 2021 \$	June 30, 2020 \$
<b>Assets</b>			
Cash		702,412	363,542
Accounts receivable	4	138,882	124,268
Marketable securities		217	217
Prepaid expenses	6	7,029	19,423
<b>Total current assets</b>		<b>848,540</b>	<b>507,450</b>
Deposits	7, 22	3,000	3,000
Intellectual property	8, 11	345,602	—
<b>Total assets</b>		<b>1,197,142</b>	<b>510,450</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	12, 19	1,233,317	912,692
Lease liability	16	349,416	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>2,407,552</b>	<b>2,545,366</b>
<b>Shareholders' deficiency</b>			
Share capital	14, 22	50,019,829	48,848,359
Contributed surplus	14	3,878,991	3,481,644
Equity portion of convertible debt	15	25,892	25,892
Non-controlling interest	14	(1,301,887)	(1,531,107)
Deficit		(53,833,235)	(52,859,704)
<b>Total shareholders' deficiency</b>		<b>(1,210,410)</b>	<b>(2,034,916)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>1,197,142</b>	<b>510,450</b>

*Going Concern (Note 2b)**Plans of Arrangement (Note 22)**Subsequent Event (Note 23)*

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

Approved and authorized for issue by the Board of Directors on November 1, 2021:

***"Jatinder Dhaliwal"***


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


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 Usama Chaudhry, Director and CFO

**EGF THERAMED HEALTH CORP.**

## Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended June 30,

*(Expressed in Canadian dollars)*

	Note	2021 \$	2020 \$
<b>Operating expenses</b>			
Amortization		—	176,360
Bank and other charges		986	1,146
Business development		—	36,219
Consulting fees	19	87,744	687,142
Interest and accretion	15, 16	65,442	177,379
Investor communications		308,842	424,866
Listing fees		8,485	29,745
Management fees	19	340,000	379,563
Office and miscellaneous		12,734	8,848
Loan loss provision	4, 5	105,225	577,007
Professional fees	19	174,042	121,608
Rent		60,000	30,000
Share-based payments	14, 19	71,170	111,795
Transfer agent and filing fees		29,557	26,492
Travel		13,671	1,539
Website and social media		1,484	12,797
<b>Operating loss before other items</b>		<b>(1,279,382)</b>	<b>(2,802,506)</b>
<b>Other items</b>			
Loss on marketable securities		—	(1,050)
Gain on foreign exchange		70,593	1,065
Gain on conversion of debt		—	46,430
Gain on debt settlement	14	8,000	260,000
Interest revenue	5	4,822	2,007
Gain (loss) on impairment	7,9,10,16	451,656	(18,859,181)
Change in fair value of derivative liability		—	(257,039)
Loss on joint venture		—	(10,000)
<b>Total other items</b>		<b>535,071</b>	<b>(18,817,768)</b>
<b>Net loss and comprehensive loss</b>		<b>(744,311)</b>	<b>(21,620,274)</b>
<b>Total comprehensive loss is attributed to:</b>			
Shareholders of EGF Theramed Health Corp.		(973,531)	(20,228,282)
Non-controlling interest	14	229,220	(1,391,992)
Loss per common share (basic and diluted)		(0.05)	(6.21)
Weighted average number of common shares (basic and diluted)		21,469,181	3,256,132

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

**EGF THERAMED HEALTH CORP.**

## Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended June 30, 2021 and 2020

(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 \$	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>(32,968,792)</b>	<b>—</b>	<b>291,215</b>
Common shares issued for services	14	5,000	30,000	—	—	—	—	—	30,000
Common shares issued for acquisition	11, 14	12,250,000	15,563,585	—	—	—	—	—	15,563,585
Common shares issued to settle debt	14	35,000	210,000	—	—	—	—	—	210,000
Common shares issued for private placement	14	4,566,666	1,180,114	—	1,394,886	—	—	—	2,575,000
Common shares issued for options exercised	14	75,000	122,912	—	(47,912)	—	—	—	75,000
Common shares issued for conversion of debt	14	506,592	604,904	—	—	—	—	—	604,904
Shares issue costs	14	—	(128,708)	—	54,313	—	—	—	(74,395)
Common shares returned to treasury	14	(100,000)	(1,070,000)	—	—	1,070,000	—	—	—
Grant of options	14	—	—	—	111,795	—	—	—	111,795
Derecognition of divested subsidiary	14	—	(1)	—	—	—	645	—	644
Change in ownership interest	14	—	—	—	—	—	336,725	(139,115)	197,610
Net comprehensive loss for the year	14	—	—	—	—	—	(20,228,282)	(1,391,992)	(21,620,274)
<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>(52,859,704)</b>	<b>(1,531,107)</b>	<b>(2,034,916)</b>
Common shares issued for private placement	14	6,070,849	420,047	—	308,455	—	—	—	728,502
Share issuance costs	14	—	(34,024)	—	17,722	—	—	—	(16,302)
Common shares issued to settle debt	14	50,000	9,500	—	—	—	—	—	9,500
Common shares issued for acquisition	11, 14	16,500,000	775,947	—	—	—	—	—	775,947
Grant of options	14	—	—	—	71,170	—	—	—	71,170
Net comprehensive income (loss) for the year		—	—	—	—	—	(973,531)	229,220	(744,311)
<b>Balance, June 30, 2021</b>		<b>41,073,653</b>	<b>50,019,829</b>	<b>25,892</b>	<b>3,878,991</b>	<b>—</b>	<b>(53,833,235)</b>	<b>(1,301,887)</b>	<b>(1,210,410)</b>

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

**EGF THERAMED HEALTH CORP.**

## Consolidated Statements of Cash Flows

For the Years Ended June 30,

*(Expressed in Canadian dollars)*

	2021	2020
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Comprehensive loss for the year	(744,311)	(21,620,274)
<u>Adjustments for non-cash items:</u>		
Gain on lease settlement	(451,656)	—
Loss (gain) on impairment	—	18,859,181
Loss on marketable securities	—	1,050
Loan loss provision	105,225	577,007
Gain on foreign exchange	(70,593)	—
Gain on conversion	—	(46,430)
Gain on debt settlement	(8,000)	(260,000)
Amortization	—	176,360
Change in fair value of derivative liability	—	257,039
Interest and accretion	65,442	127,379
Interest from loan receivable	(4,822)	—
Share-based payments	71,170	111,795
<u>Changes in non-cash working capital items:</u>		
Accounts receivable	(65,017)	(24,069)
Prepaid expenses	12,394	58,049
Accounts payable and accrued liabilities	306,407	290,887
Management fees payable	—	(215,000)
<b>Net cash used in operating activities</b>	<b>(783,761)</b>	<b>(1,707,026)</b>
<b>Cash Flows from Investing Activities</b>		
Cash acquired from Seedadelic acquisition	460,431	—
Construction in progress	—	(719,474)
Loans receivable	(50,000)	(175,000)
<b>Net cash provided by (used in) investing activities</b>	<b>410,431</b>	<b>(894,474)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common shares, net of share issuance costs	712,200	2,500,604
Proceeds from convertible debt	—	350,000
Proceeds from loans payable, net of repayment	—	148,402
Repayment of convertible debt in cash	—	(220,893)
Payment of interest	—	(96,430)
Proceeds from non-controlling interest	—	198,255
Exercise of options	—	75,000
Lease payments	—	(122,652)
<b>Cash provided by financing activities</b>	<b>712,200</b>	<b>2,832,286</b>
Net increase in cash	338,870	230,786
Cash, beginning of year	363,542	132,756
<b>Cash, end of year</b>	<b>702,412</b>	<b>363,542</b>

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



## **EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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### **1. NATURE OF OPERATIONS:**

EGF Theramed Health 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 June 9, 2021, the Company completed the acquisition of Seedadelic Health Services Corp. (“Seedadelic”). Seedadelic is a private, Ontario-based, company which developed an application for the sale of alternative medical products (Note 11).

These audited consolidated financial statements (hereinafter the “consolidated financial statements”) of the Company for the year ended June 30, 2021 have been prepared by management and reviewed and authorized for publication by the Board of Directors on November 1, 2021.

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. COVID-19 has had the effect of delaying equity financings and transactions and has had an impact on the closing of transactions.

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

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

These consolidated financial statements were prepared in accordance with 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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 June 30, 2021, the Company had not yet achieved profitable operations, had recurring losses from continuing operations, and a cumulative deficit of \$53,607,407 since inception and had working capital deficit of \$1,559,012. 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.

## 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(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%
Seedadelic Health Services Corp. (“Seedadelic”)	Canadian dollar	100%

In addition to subsidiaries outlined above, there are several inactive numbered companies which were incorporated that are wholly-owned entities the Company with respect to the 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 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 a 40% interest in the equity of Green Parrot Labs Corp. (“Green Parrot”) and a 30% equity interest of Pharmadelic Labs Corp. (“Pharmadelic”) (Note 10). In November 2020, Green Parrot and Pharmadelic effected a merger of their shareholdings and operations through an amalgamation. The entity continuing from the amalgamation is known as Pharmadelic Labs Inc. The Company has no control over Pharmadelic but has significant influence over their operations and financing decisions. As at June 30, 2021, the Company holds 33.06% ownership interest in Pharmadelic Labs Inc. This investment is 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 investee.

#### 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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 loss and comprehensive 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 year. 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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.

(ii) Assessment of whether the acquisition of an entity or business is a business acquisition or an asset acquisition

Management uses judgement in determining if a business or entity should be accounted for as a business acquisition or an asset acquisition. Management uses judgement in making an assessment if the acquired entity or business has inputs and processes capable of producing outputs and assesses all other relevant factors in making the judgement.

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.

(ii) Impairment of long lived assets

The carrying value and the recoverability of intangible assets, which are included in the consolidated 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 assets. Internal sources of information the Company considers include the manner in which intangible assets are being used or are expected to be used and indications of economic performance of the assets.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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, 2021 and 2020 and have been applied consistently to all periods presented, except otherwise noted.

## a. Cash

Cash is 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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	FVTPL
Accounts receivable	Amortized cost
Loan receivable	FVTPL
Marketable securities	FVTPL
Accounts payable and accrued liabilities	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 Consolidated Financial Statements

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*(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 Consolidated Financial Statements

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

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

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

f. Share units

When the Company issues units that are comprised of a combination of shares and warrants, the fair value of the warrants determined using a Black Scholes Option Pricing Model, is allocated to the warrants and the residual is allocated to the share capital.

g. 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.

h. 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 year. 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 years.

i. 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

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

j. 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. The joint venture was terminated in the year ended June 30, 2020. During the year ended June 30, 2021, the Company recorded a loss on joint venture of \$Nil (2020: \$10,000). As at June 30, 2021 and June 30, 2020 the carrying value of the joint venture was \$nil.

k. Intangible assets

The Company owns intangible assets consisting of an e-commerce platform. 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.

l. Convertible debentures

Convertible debentures issued with a 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 recorded at amortized cost.

m. 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 Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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

n. 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 June 30, 2021 and 2020, the Company had not recognized any internally-generated intangible assets and had recorded all amounts incurred as research costs.

o. Leases

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.

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 was fully impaired during the year ended June 30, 2020 (Note 9).

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

## p. Issued but not effective accounting standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**4. ACCOUNTS RECEIVABLE:**

	June 30, 2021 \$	June 30, 2020 \$
Accounts receivable	-	2,075
Advances receivable	-	6,511
HST /GST recoverable	<b>138,882</b>	115,682
<b>Total</b>	<b>138,882</b>	124,268

During the year ended June 30, 2020, the Company determined that the receivable balance from B-Organic (a terminated joint venture arrangement) was not collectible and therefore a balance of \$360,000 was fully impaired. The Company also impaired additional accounts receivable of \$40,000 related to funds advance to 1139179 Ontario Inc. during the year ended June 30, 2020. During the year ended June 30, 2021, the Company made additional advances to Pharmadelic which were considered uncollectable as at June 30, 2021 and the Company recorded an impairment of \$55,225.

**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. The loan bears a simple interest rate of 10% per annum and is due and payable 24 months from the date of the note. As at June 30, 2021, the Company recorded interest of \$4,822 (2020 - \$Nil). During the year ended June 30, 2021, the loan receivable of \$50,000 and related interest was impaired.

**6. PREPAID EXPENSES:**

	June 30, 2021 \$	June 30, 2020 \$
Business services	<b>6,729</b>	4,423
Management fees	—	15,000
Retainer legal fees	<b>300</b>	—
<b>Total</b>	<b>7,029</b>	19,423

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)***7. DEPOSITS:**

	June 30, 2021 \$	June 30, 2020 \$
Plans of arrangement (Note 22)	3,000	3,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>

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

During the year ended June 30, 2020, the Company wrote-off the deposit related to a lease facility (Note 9) and recognized an impairment loss of \$40,000 in the consolidated statement of loss and comprehensive loss.

**8. INTANGIBLE ASSETS:**

On June 9, 2021, the Company acquired all of the issued and outstanding shares of Seedadelic (Note 11). Seedadelic plans to operate a Web-based and mobile application, allowing users to register, purchase certain plant seed products on-line, and also to be used as a platform for sellers. As at June 30, 2021, this intangible asset acquired through the Seedadelic acquisition was recorded at \$345,602. As the mobile application was not completed and had not launched, no amortization was recorded during the year ended June 30, 2021.

**9. PROPERTY, PLANT AND EQUIPMENT:**

	June 30, 2021 \$	June 30, 2020 \$
Equipment	—	973,242
Impairment	—	(973,242)
<b>Net book value</b>	<b>—</b>	<b>—</b>

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 as the equipment was impaired.

The Company was in litigation with the landlord of the Facility due to the Company's default relating to lease payments. The Company has no access to the facility where the equipment is located and the construction in progress. Accordingly, 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.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

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>Right of Use Asset</b>	
<b>Cost:</b>		
<b>Balance, June 30, 2019</b>	\$	—
Additions		846,180
<b>Balance, June 30, 2020 and 2021</b>		<b>846,180</b>
<b>Accumulated amortization:</b>		
<b>Balance, June 30, 2019</b>	\$	—
Additions		(176,360)
<b>Balance, June 30, 2020 and 2021</b>		<b>(176,360)</b>
<b>Impairment</b>		<b>(669,820)</b>
<b>Net book value:</b>		
<b>Balance, June 30, 2020 and 2021</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 litigation with the landlord.

**10. INVESTMENTS IN PHARMADELIC AND GREEN PARROT:**

On May 6, 2020, the Company acquired a 30% equity interest in Pharmadelic through 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 as payment of finders' fees to arm's-length parties.

The fair value of the Pharmadelic's Consideration Shares and the 225,000 finders' common shares were determined as follows:

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>

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Pharmadelic is a private company which is developing a proprietary genetic process to help create pharmaceutical grade psilocybin-derived ingredients in a synthetic lab environment. Pharmadelic is still in the research stage and no technical feasibility has been achieved. As a 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 as a finders' fee to arm's-length parties.

The fair value of the Green Parrot's Consideration Shares and common shares issued as finders' fees were determined as follows:

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 the research stage and no technical feasibility has been 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 an amalgamation. The entity continuing from the amalgamation is known as Pharmadelic Labs Inc. As at June 30, 2021, the Company holds a 33.06% ownership interest on Pharmadelic Labs Inc. Pharmadelic is inactive as at June 30, 2021.

The Company determined that the fair value of the investment in Pharmadelic Labs Inc. was \$Nil and as at June 30, 2021 as Pharmadelic is inactive and has no activities.



**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)***11. ACQUISITIONS:**

On June 9, 2021, the Company entered into a share purchase agreement, pursuant to which it acquired all of the issued and outstanding shares of Seedadelic. Seedadelic is an alternative medicine company seeking to alleviate the stigma surrounding psychedelic drugs, that contain a naturally occurring compound known as LSA (D-lysergic acid amide). For accounting purposes, the acquisition of Seedadelic was considered an asset purchase transaction as Seedadelic did not meet the definition of business. Acquisition costs related to the transaction were capitalized.

In consideration for the acquisition of all of the shares of Seedadelic, the Company issued 15,000,000 common shares to the existing shareholders of Seedadelic and 1,500,000 common shares as a finder's fee to a company that introduced the parties with a value of \$775,947 (Note 14).

Consideration Shares	\$	1,125,000
Finders' shares		112,500
Restricted share discount		(461,553)
Fair value of 16,500,000 common shares issued	\$	775,947
Legal fees		14,336
<b>Total acquisition cost</b>		<b>790,283</b>
<u>Allocated as follow:</u>		
Cash		460,431
Intellectual property (Note 8)		345,602
Accrued liabilities		(15,750)
	\$	790,283

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

	June 30, 2021 \$	June 30, 2020 \$
Amount owing to third parties	918,317	752,692
Due to related parties (Note 19)	315,000	160,000
	<b>1,233,317</b>	912,692

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

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

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

	June 30, 2021		June 30, 2020	
	Shares	Amount, \$	Shares	Amount, \$
Class A preferred shares				
Balance, beginning of year	23,370,795	3,000	31,161,060	4,000
Issued – Plans of Arrangement	—	—	(7,790,265)	(1,000)
Balance, end of year	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 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 June 30, 2021, the Company had 23,370,795 (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: 41,073,653 common shares issued and outstanding as of June 30, 2021 (2020: 18,452,804)

During the year ended June 30, 2021, the following transactions occurred:

On January 15, 2021, the Company completed the first tranche of its non-brokered private placement, issuing 2,937,516 units at a price of \$0.12 per unit for gross proceeds of \$352,502. 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 \$10,002 and issued 83,350 finders' warrants with a fair value of \$10,070, with each finders' warrant is 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.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)*

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

(b) Issued and outstanding: (continued)

During the year ended June 30, 2021, the following transactions occurred: (continued)

On January 15, 2021, the Company issued 50,000 common shares to settle outstanding debt of \$17,500, for services previously provided to the Company. The fair value of the common shares issued is \$9,500, resulting in a gain on debt settlement of \$8,000 (2020 - \$Nil) during the year ended June 30, 2021.

On January 19, 2021, the Company completed the second and final tranche of its non-brokered private placement, issuing 1,466,666 units at a price of \$0.12 per unit for gross proceeds of \$176,000. 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 \$6,300 and issued 52,500 finders' warrants with a fair value of \$7,652, 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 June 9, 2021, the Company issued 15,000,000 common shares for the acquisition of Seedadelic (Note 11). The Company also issued 1,500,000 common shares as finder fees to an arm's-length third party that introduced the parties. The fair value of the shares issued is \$775,947.

On June 22, 2021, the Company closed a non-brokered private placement for 1,666,667 units at a price of \$0.12 per unit for gross proceeds of \$200,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant will be exercisable into a common share of the Company for a period of 12 months at an exercise price of \$0.20 during the 12 months.

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

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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)

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

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. The Company also issued 506,592 units on the conversion of \$350,000 convertible debentures plus accrued interest to share capital (Note 15).

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

(c) Share purchase warrants:

As of June 30, 2021, the following warrants were outstanding and exercisable:

<b>Warrants Outstanding and Exercisable</b>	<b>Exercise Price, \$</b>	<b>Expiry Date</b>
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
1,468,758	0.20	January 15, 2022
83,350	0.20	January 15, 2022
733,333	0.20	January 19, 2022
52,500	0.20	January 19, 2022
833,333	0.20	June 23, 2022
<b>4,239,723</b>	<b>1.62</b>	

During the year ended June 30, 2021, 3,462,500 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-Scholes Option Pricing Model were issued in connection with the private placement.

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

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

On January 15, 2021, 1,468,758 warrants valued at \$177,448 and 83,350 finder's warrants valued at \$10,070 also using Black-Scholes Option Pricing Model were issued in connection with the private placement.

On January 19, 2021, 733,333 warrants valued at \$106,893 and 52,500 finder's warrants valued at \$7,652 also using Black-Scholes Option Pricing Model were issued in connection with the private placement.

On June 22, 2021, 833,333 warrants valued at \$24,114 using the Black-Scholes Option Pricing Model were issued in connection with the private placement.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

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

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

	April 22, 2020	April 29, 2020	June 16, 2020	January 15, 2021	January 19, 2021
Estimated risk-free rate	0.34%	0.30%	0.26%	0.15%	0.14%
Expected volatility	227.58%	229.73%	231.27%	184.89%	185.22%
Estimated annual dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of warrants	1.5 years	1.5 years	2.0 years	1.0 year	1.0 year
Stock price at issue date	\$1.10	\$0.76	\$0.66	\$0.19	\$0.22
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%

A summary of the Company's issued and outstanding warrants as at June 30, 2021 and during the year 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>
Issued	3,171,274	0.20
Expired	(3,462,500)	0.80
<b>Balance, June 30, 2021</b>	<b>4,239,723</b>	<b>1.62</b>

The weighted average life of warrants outstanding is 0.75 year as at June 30, 2021.

## (d) Stock options:

On April 30, 2020, 175,000 stock options valued at \$111,795 using Black-Scholes Option Pricing Model were granted to the current CEO and a former CEO of the Company at a price of \$1.00 per share, which vested immediately and expire two years from the date of grant (Note 19).

On June 23, 2021, 1,645,349 stock options valued at \$71,170 using Black-Scholes Option Pricing Model were granted to the CEO and CFO of the Company at a price of \$0.08 per share, which vested immediately and expire one year from the date of grant (Note 19).

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

## (d) Stock options: (continued)

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

	April 30, 2020	June 23, 2021
Estimated risk-free rate	1.60%	0.42%
Expected volatility	207.90%	164.49%
Estimated annual dividend yield	0.00%	0.00%
Expected life of options	2 years	1 year
Stock price at issue date	\$0.76	\$0.08
Forfeiture rate	0.00%	0.00%

A summary of the Company's granted and outstanding options as at June 30, 2021 and during the year is presented below:

	Options Outstanding	Weighted Average Exercise Price, \$
<b>Balance, June 30, 2019</b>	—	—
Granted	175,000	1.00
Exercised	(75,000)	1.00
<b>Balance, June 30, 2020</b>	<b>100,000</b>	<b>1.00</b>
Granted	1,645,349	0.08
<b>Balance, June 30, 2021</b>	<b>1,745,349</b>	<b>0.13</b>

The weighted average life of warrants outstanding is 0.97 year as at June 30, 2021.

## (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 Company controls the operations of WASS as it makes all the strategic decisions of WASS. WASS is specialized in industrial hemp biomass supply and its principal place of business is Las Vegas, Nevada. WASS is currently inactive.

	June 30, 2021 \$	June 30, 2020 \$
Non controlling interest – opening balance	<b>(1,531,107)</b>	-
Allocation of net income (loss) for the year	<b>229,220</b>	(1,391,992)
Change in ownership interest	-	(139,115)
Non controlling interest – Closing balance	<b>(1,301,887)</b>	(1,531,107)

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Summarised Financial information of WASS

	June 30, 2021 \$	June 30, 2020 \$
Assets	-	-
Liabilities	<b>2,603,774</b>	3,062,214
Equity	<b>(2,603,774)</b>	(3,062,214)
Revenue	-	-
Other income	<b>458,440</b>	-
Expenses	-	2,783,984
Cash flow from Operating activities	-	-
Cash flow from Investing activities	-	-
Cash flows from financing activities	-	-

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

Contributed surplus records the fair value of the common shares purchase warrants (Note 14c) and items recognized as stock-based compensation expense (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 debt reserve includes the discount amount of the convertible debentures with fixed-for-fixed conversion feature (Note 15).

**(g) Escrow shares**

As at June 30, 2021, 16,500,000 shares were held in escrow (Note 11). The escrow shares will be released on December 20, 2021.

**15. DEBT:****(a) Convertible debentures**

A summary of the Company's outstanding convertible debentures as at June 30, 2021 and 2020 is presented below:

<b>Balance, June 30, 2019</b>	<b>\$</b>	<b>827,681</b>
Issuance of \$350,000 convertible debentures		239,949
Interest 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 2021</b>	<b>\$</b>	<b>—</b>



**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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**15. DEBT: (continued)**

(a) Convertible debentures (continued)

As of June 30, 2021, the balance on convertible debentures originating in 2017, including accretion, is \$Nil (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.

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 into 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 a gain 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 totalling \$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. During the year ended June 30, 2020, 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 during the year ended June 30, 2020.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)***15. DEBT: (continued)**

## (b) Unsecured loans payable

A summary of the Company's unsecured demand loans as at June 30, 2021 and 2020 is presented below:

	June 30, 2021 \$	June 30, 2020 \$
Amount owing to third parties	203,074	203,074
Amount owing to related parties (Note 19)	568,745	568,745
	<b>771,819</b>	<b>771,819</b>

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

**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 years ended June 30, 2021 and 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		65,442
Gain on settlement		(451,656)
Gain on foreign exchange		(72,225)
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>349,416</b>

As the Company was in default under the lease agreement at June 30, 2021, the entire balance owing is classified as a current liability (Note 20). On October 12, 2021, the Company reached settlement on the lease agreement pursuant to the legal claim at \$349,416 (US\$281,925) and a gain on settlement of \$451,656 presented as reversal of impairment loss on the Consolidated Statement of Loss and Comprehensive Loss was recognized for the year ended June 30, 2021.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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**17. FINANCIAL AND CAPITAL RISK MANAGEMENT:**

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

**a. Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary health monitoring/therapeutic systems and the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

**b. Credit risk**

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 bank accounts with banks of reputable 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 June 30, 2021, the Company had a cash balance of \$702,412 (2020: \$363,542) and accounts payable and accrued liabilities of \$1,233,317 (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's short term and long-term cash requirement. The Company has a working capital deficit of \$1,559,012 (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.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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

## e. Foreign exchange risk

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

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

	June 30, 2021		June 30, 2020	
Cash	US\$	3,000	US\$	3,000
Accounts payable	US\$	359,650	US\$	359,650
Lease liability	US\$	281,925	US\$	592,791

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 \$79,000 (2020 - \$129,000) in income/loss from operations.

**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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2021 and 2020:

	June 30, 2021		June 30, 2020	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash	\$ 702,412	—	\$ 363,542	—
Marketable securities	\$ 217	—	\$ 217	—

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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**18. FAIR VALUE: (continued)**

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.

**19. 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 year ended June 30, 2021:

- (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 year ended June 30, 2021, the Company repaid \$10,000. As at June 30, 2021, the amount owing was \$49,500.
- (b) As at the year ended June 30, 2021, the amount payable to Jatinder Dhaliwal, CEO and director of the Company, was \$65,000. During the year ended June 30, 2021, the Company accrued \$150,000 in management fees and repaid \$65,000. As at June 30, 2021, the amount owing was \$150,000.
- (c) As at June 30, 2021, 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) On June 23, 2021, 1,545,349 stock options with a fair value of \$66,845 using Black-Scholes Option Pricing Model were granted to Jatinder Dhaliwal (Note 14).
- (e) 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 year ended June 30, 2021, the Company accrued \$120,000 in management fees and repaid \$30,000. As at June 30, 2021, the amount owing to Chaudhry U Consulting Inc. was \$115,500.
- (f) On June 23, 2021, 100,000 stock options with a fair value of \$4,325 using Black-Scholes Option Pricing Model were granted to Usama Chaudhry (Note 14).
- (g) As at June 30, 2021, 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.
- (h) As at June 30, 2021, 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.

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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

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).
- (e) On April 30, 2020, 100,000 stock options with the fair value of \$63,883 using Black-Scholes Option Pricing Model were granted to David Bentil (Note 14).
- (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-Scholes Option Pricing Model were granted to Jatinder Dhaliwal (Note 14).
- (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).

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)*

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

- (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>Years ended June 30,</b>	<b>2021</b>	<b>2020</b>
Management fees	\$ 270,000	\$ 277,500
Accounting fees	—	10,000
Share-based compensation	71,170	111,795
	<b>\$ 341,170</b>	<b>\$ 399,295</b>

**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(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. During the year ended June 30, 2021, the Company was in discussions to resolve the litigation arising from the default and during this discussion period, the Company did not have access to the facility where the equipment was located and the construction in progress that was carried out until matters are resolved. The lease agreement is expiring on November 30, 2023 and is uncancellable. The Company carried the full liability of the lease in accordance with IFRS 16 (Note 16).

On October 12, 2021, the Company reached settlement on the lease agreement at \$349,416 (US\$281,925) and a gain on settlement of \$451,656 presented as reversal of impairment loss on the Consolidated Statement of Loss and Comprehensive Loss was recognized during the year ended June 30, 2021.

**21. INCOME TAXES:**

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

	\$
2032	305,534
2033	798,008
2034	1,040,896
2035	1,530,647
2036	345,275
2037	36,936,292
2038	936,149
2039	2,669,486
2040	2,227,208
2041	972,270

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

	June 30, 2021 \$	June 30, 2020 \$
Loss before income taxes	<b>(744,311)</b>	(21,620,274)
Effective tax rate	<b>27%</b>	27.0%
Expected income tax recovery	<b>(200,964)</b>	(5,837,474)
Tax effects of:		
Non-deductible expenses and other deductions	<b>(61,549)</b>	5,222,627
Change in unrecognized deferred income tax assets	<b>262,513</b>	614,847
<b>Deferred income tax recovery</b>	<b>—</b>	<b>—</b>



**EGF Theramed Health Corp.**

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

*(Expressed in Canadian dollars)***21. INCOME TAXES: (continued)**

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

	June 30, 2021 \$	June 30, 2020 \$
Substantively enacted tax rate	27%	27.0%
Deferred income tax assets:		
Non-capital losses	12,909,176	12,646,664
Temporary differences in net assets	3,120,647	3,120,149
Unamortized share issue costs	15,573	16,070
<b>Net unrecognized deferred income tax assets</b>	<b>16,045,396</b>	<b>15,782,883</b>

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

**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.

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 June 30, 2021, the Company has \$3,000 (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 2022.

**23. SUBSEQUENT EVENT:**

On July 14, 2021, the Company closed a non-brokered private placement for 2,083,334 units at a price of \$0.12 per unit for gross proceeds of \$250,000. Each unit will comprise one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant will be exercisable into a common share of the Company for a period of 12 months at an exercise price of \$0.20 during the 12 months.