



EGF THERAMED HEALTH CORP.

Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2021 and 2020 (Q2)

(Expressed in Canadian dollars)

NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The attached unaudited condensed consolidated financial statements for the three and six months ended December 31, 2021 (Q2) have not been reviewed by the Company’s auditor and should be read in conjunction with the Company’s audited consolidated financial statements and management discussion and analysis (MD&A) on Form 51-102F1 for the year ended June 30, 2021, as filed on SEDAR.

MANAGEMENT’S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

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

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

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

Jatinder Dhaliwal
Chief Executive Officer

Vancouver, BC
February 28, 2022

EGF Theramed Health Corp.
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December 31, 2021

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EGF THERAMED HEALTH CORP.

Interim Consolidated Statements of Financial Position

As at

(Expressed in Canadian dollars)

		December 31, 2021 \$ (unaudited)	June 30, 2021 \$ (audited)
	Note		
Assets			
Cash		130,478	702,412
Accounts receivable	4	147,063	138,882
Marketable securities		217	217
Prepaid expenses	6	7,427	7,029
Total current assets		285,185	848,540
Deposits	7, 20	3,000	3,000
Intellectual property	8, 10	345,602	345,602
Total assets		633,787	1,197,142
Liabilities			
Accounts payable and accrued liabilities	11, 18	691,191	1,233,317
Lease liability	15	383,961	349,416
Loans payable	14, 18	786,319	771,819
Management fees payable	18	50,000	50,000
Preferred shares	12, 20	3,000	3,000
Total liabilities		1,914,471	2,407,552
Shareholders' deficiency			
Share capital	13, 20	50,207,303	50,019,829
Contributed surplus	13	3,930,537	3,878,991
Equity portion of convertible debt		25,892	25,892
Non-controlling interest	13	(1,301,887)	(1,301,887)
Deficit		(54,142,529)	(53,833,235)
Total shareholders' deficiency		(1,280,684)	(1,210,410)
Total liabilities and shareholders' deficiency		633,787	1,197,142

*Going Concern (Note 2b)**Plans of Arrangement (Note 20)*

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

Approved and authorized for issue by the Board of Directors on February 28, 2022:

"Jatinder Dhaliwal"

 Jatinder Dhaliwal, Director and CEO
"Usama Chaudhry"

 Usama Chaudhry, Director and CFO

EGF THERAMED HEALTH CORP.

Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three and Six Months Ended December 31,

(Unaudited - Expressed in Canadian dollars)

	Note	For the three months ended		For the six months ended	
		December 31,	December 31,	December 31,	December 31,
		2021	2020	2021	2020
		\$	\$	\$	\$
Operating expenses					
Bank and other charges		565	225	726	541
Consulting fees	18	17,706	8,310	23,688	21,179
Interest and accretion	15	12,471	18,025	26,379	37,875
Investor communications		—	—	—	105,144
Listing fees		—	1,304	—	4,304
Management fees	18	77,500	67,500	165,000	135,000
Office and miscellaneous		2,948	6,150	7,604	6,150
Professional fees	18	—	131,366	28,208	140,464
Rent		15,000	15,000	30,000	30,000
Transfer agent and filing fees		4,508	17,443	5,718	22,908
Travel		526	119	14,218	119
Website and social media		—	—	214	1,484
Operating loss before other items		(131,224)	(265,442)	(301,755)	(505,168)
Other items					
Gain (loss) on foreign exchange		(18,156)	37,301	(8,217)	53,604
Interest revenue		678	2,342	678	2,342
Total other items		(17,478)	39,643	(7,539)	55,946
Net loss and comprehensive loss		(148,702)	(225,799)	(309,294)	(449,222)
Total comprehensive loss is attributed to:					
Shareholders of EGF Theramed Health Corp.		(148,702)	(235,437)	(309,294)	(457,487)
Non-controlling interest	13	—	9,638	—	8,265
Loss per common share (basic and diluted)					
		(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares (basic and diluted)					
		26,861,199	18,452,804	43,055,085	18,452,804

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

EGF THERAMED HEALTH CORP.

Interim Consolidated Statements of Changes in Shareholders' Deficiency

For the Three and Six Months Ended December 31, 2021 and 2020

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

	Note	Number of Outstanding Shares	Share Capital \$	Equity Portion of Convertible Debts \$	Contributed Surplus \$	Deficit \$	Non- Controlling Interest \$	Total Shareholders' Deficiency \$
Balance, June 30, 2020		18,452,804	48,848,359	25,892	3,481,644	(52,859,704)	(1,531,107)	(2,034,916)
Net comprehensive loss for the period		—	—	—	—	(457,487)	8,265	(449,222)
Balance, December 31, 2020		18,452,804	48,848,359	25,892	3,481,644	(53,317,191)	(1,522,842)	(2,484,138)
Balance, June 30, 2021		41,073,653	50,019,829	25,892	3,878,991	(53,833,235)	(1,301,887)	(1,210,410)
Common shares issued for private placement	13	2,083,334	202,616	—	47,384	—	—	250,000
Share issuance costs	13	—	(15,142)	—	4,162	—	—	(10,980)
Net comprehensive loss for the period		—	—	—	—	(309,294)	—	(309,294)
Balance, December 31, 2021		43,156,987	50,207,303	25,892	3,930,537	(54,142,529)	(1,301,887)	(1,280,684)

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

EGF THERAMED HEALTH CORP.

Interim Consolidated Statements of Cash Flows

For the Six Months Ended December 31,

(Unaudited - Expressed in Canadian dollars)

	2021	2020
	\$	\$
Cash Flows from Operating Activities		
Comprehensive loss for the period	(309,294)	(449,222)
<u>Adjustments for non-cash items:</u>		
(Gain) Loss on foreign exchange	8,166	(54,403)
Interest and accretion	26,379	37,875
Interest from loan receivable	—	(2,342)
<u>Changes in non-cash working capital items:</u>		
Accounts receivable	(8,181)	(18,745)
Prepaid expenses	(398)	3,628
Accounts payable and accrued liabilities	(542,126)	203,664
Net cash used in operating activities	(825,454)	(279,545)
Cash Flows from Investing Activity		
Loans receivable	—	(50,000)
Net cash used in investing activity	—	(50,000)
Cash Flows from Financing Activities		
Proceeds from issuance of common shares, net of share issuance costs	239,020	—
Proceeds from loans payable	14,500	—
Cash provided by financing activities	253,520	—
Net decrease in cash	(571,934)	(329,545)
Cash, beginning of period	702,412	363,542
Cash, end of period	130,478	33,997

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

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

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 10).

These interim consolidated financial statements (hereinafter the “consolidated financial statements”) of the Company for the six months ended December 31, 2021 have been prepared by management and reviewed and authorized for publication by the Board of Directors on February 28, 2022. The interim consolidated financial statements are made available to shareholders and other stakeholders through the System for Electronic Document Analysis and Retrieval (“SEDAR”).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds or the development of the Company’s products. 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 for the six months ended December 31, 2021 (Q2) have been prepared in accordance with IAS 34 – Interim Financial Reporting and the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). These policies have been consistently applied to all years presented, unless otherwise stated. The Company’s significant accounting policies are described in the Note 3. Significant accounting estimates, judgments and assumptions have been used or exercised by management in the preparation of these consolidated financial statements.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION: (continued)**b. Going concern basis of presentation**

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

As a Company in early development stage, management does not anticipate generating operating revenues for several years, other than incidental revenue. At December 31, 2021, the Company had not yet achieved profitable operations, had recurring losses from continuing operations, and a cumulative deficit of \$54,142,529 since inception and had working capital deficit of \$1,629,286. 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 Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

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 20).

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 9). 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 December 31, 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 Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

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 Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION: (continued)

f. Significant accounting judgments and estimates (continued)

Estimates: (continued)

(ii) Impairment of long lived assets (continued)

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.

(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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

c. Deferred income taxes

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

d. Financial instruments

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
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Management fees payable	Amortized cost
Loans payable	Amortized cost

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

d. Financial instruments (continued)

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.

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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

d. Financial instruments (continued)

Derecognition (continued)

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.

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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

e. Share capital (continued)

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.

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

EGF Theramed Health Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

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 in the year ended June 30, 2020. As at December 31, 2021 and June 30, 2021 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.

EGF Theramed Health Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

I. Convertible debentures (continued)

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.

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

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

At December 31, 2021 and June 30, 2021, the Company had not recognized any internally-generated intangible assets and had recorded all amounts incurred as research costs.

n. 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.

EGF Theramed Health Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES: (continued)

n. Leases (continued)

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.

o. 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:

	December 31, 2021 \$	June 30, 2021 \$
HST /GST recoverable	147,063	138,882
Total	147,063	138,882

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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

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*(Unaudited - Expressed in Canadian dollars)***5. LOAN RECEIVABLE:**

In connection with the acquisition of Pharmadelic (Note 9), 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 9), 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:

	December 31, 2021 \$	June 30, 2021 \$
Business services	6,729	6,729
Retainer legal fees	300	300
Website maintenance	398	—
Total	7,427	7,029

7. DEPOSITS:

	December 31, 2021 \$	June 30, 2021 \$
Plans of arrangement (Note 20)	3,000	3,000
Total	3,000	3,000

8. INTANGIBLE ASSETS:

On June 9, 2021, the Company acquired all of the issued and outstanding shares of Seedadelic (Note 10). 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 December 31, 2021, this intangible asset acquired through the Seedadelic acquisition was recorded at \$345,602 (June 30, 2021: \$345,602). As the mobile application was not completed and had not launched, no amortization was recorded during the six months ended December 31, 2021.

EGF Theramed Health Corp.

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9. 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)
Total fair value of consideration paid	\$	5,005,831

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)
Total fair value of consideration paid	\$	10,407,754

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.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

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*(Unaudited - Expressed in Canadian dollars)***9. INVESTMENTS IN PHARMADELIC AND GREEN PARROT: (continued)**

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 December 31, 2021, the Company holds a 33.06% ownership interest on Pharmadelic Labs Inc. Pharmadelic is inactive as at December 31, 2021.

The Company determined that the fair value of the investment in Pharmadelic Labs Inc. was \$Nil and as at December 31, 2021 as Pharmadelic is inactive and has no activities.

10. 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 13).

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
Total acquisition cost		790,283
<u>Allocated as follow:</u>		
Cash		460,431
Intellectual property (Note 8)		345,602
Accrued liabilities		(15,750)
	\$	790,283

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	December 31, 2021 \$	June 30, 2021 \$
Amount owing to third parties	471,191	918,317
Due to related parties (Note 18)	220,000	315,000
	691,191	1,233,317

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12. REDEEMABLE PREFERRED SHARES:

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

	December 31, 2021		June 30, 2021	
	Shares	Amount, \$	Shares	Amount, \$
Class A preferred shares				
Balance, beginning of period	23,370,795	3,000	23,370,795	3,000
Issued – Plans of Arrangement	—	—	—	—
Balance, end of period	23,370,795	3,000	23,370,795	3,000

The Class A – preferred shares, with an average redemption price of \$0.000115 each for a total value of \$4,000, are non-voting, non-participating and are mandatorily redeemable by the Company in accordance with the Plans of Arrangement. On 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 20).

As at December 31, 2021, the Company had 23,370,795 (June 30, 2021: 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 20).

13. SHARE CAPITAL:

- (a) Authorized: unlimited common shares, without par value; and unlimited preferred shares, without par value.
- (b) Issued and outstanding: 43,156,987 common shares issued and outstanding as of December 31, 2021 (June 30, 2021: 41,073,653)

During the six months ended December 31, 2021, the following transactions occurred:

On July 9, 2021, the Company completed 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.

In connection with the issuance, the Company paid cash finders' fees of \$10,980 and issued 91,500 finders' warrants with a fair value of \$4,162, 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.

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13. SHARE CAPITAL: (continued)

(b) Issued and outstanding (continued)

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.

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 10). 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.

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13. SHARE CAPITAL: (continued)

(c) Share purchase warrants

As of December 31, 2021, the following warrants were outstanding and exercisable:

Warrants Outstanding and Exercisable	Exercise Price, \$	Expiry Date
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
1,041,667	0.20	July 9, 2022
91,500	0.20	July 9, 2022
5,372,890	1.32	

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.

On July 9, 2021, 1,041,667 warrants valued at \$47,384 and 91,500 finder's warrants valued at \$4,162 using the Black-Scholes Option Pricing Model were issued in connection with the private placement.

EGF Theramed Health Corp.

Notes to the Interim Consolidated Financial Statements

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*(Unaudited - Expressed in Canadian dollars)***13. 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	July 9, 2021
Estimated risk-free rate	0.34%	0.30%	0.26%	0.15%	0.14%	0.47%
Expected volatility	227.58%	229.73%	231.27%	184.89%	185.22%	167.67%
Estimated annual dividend yield	0.00%	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	1.0 year
Stock price at issue date	\$1.10	\$0.76	\$0.66	\$0.19	\$0.22	\$0.10
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

A summary of the Company's issued and outstanding warrants as at December 31, 2021 and during the period is presented below:

	Warrants Outstanding	Weighted Average Exercise Price, \$
Balance, June 30, 2020	4,530,949	2.03
Issued	3,171,274	0.20
Expired	(3,462,500)	0.80
Balance, June 30, 2021	4,239,723	1.62
Issued	1,133,167	0.20
Balance, December 31, 2021	5,372,890	1.32

The weighted average life of warrants outstanding is 0.31 year as at December 31, 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.

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 18).

EGF Theramed Health Corp.

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13. 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 December 31, 2021 and during the period is presented below:

	Options Outstanding	Weighted Average Exercise Price, \$
Balance, June 30, 2020	100,000	1.00
Granted	1,645,349	0.08
Balance, June 30, 2021 and December 31, 2021	1,745,349	0.13

The weighted average life of warrants outstanding is 0.47 year as at December 31, 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.

	December 31, 2021 \$	June 30, 2021 \$
Non controlling interest – opening balance	(1,301,887)	(1,531,107)
Allocation of net income for the period	—	229,220
Non controlling interest – closing balance	(1,301,887)	(1,301,887)

EGF Theramed Health Corp.

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*(Unaudited - Expressed in Canadian dollars)***13. SHARE CAPITAL: (continued)**

(e) Non-controlling interest (continued)

Summarised Financial information of WASS

	December 31, 2021 \$	June 30, 2021 \$
Assets	—	—
Liabilities	2,638,320	2,603,774
Equity	(2,638,320)	(2,603,774)
Revenue	—	—
Other income	—	458,440
Expenses	(34,545)	—
Cash flow from operating activities	—	—
Cash flow from investing activities	—	—
Cash flow from financing activities	—	—

(f) Reserves – equity portion and contributed surplus

Contributed surplus records the fair value of the common shares purchase warrants (Note 13c) and items recognized as stock-based compensation expense (Note 13d). 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.

(g) Escrow shares

As at December 31, 2021, 16,500,000 shares were held in escrow (Note 10).

14. DEBT:

(a) Unsecured loans payable

A summary of the Company's unsecured demand loans as at December 31, 2021 and June 30, 2021 is presented below:

	December 31, 2021 \$	June 30, 2021 \$
Amount owing to third parties	217,574	203,074
Amount owing to related parties (Note 18)	568,745	568,745
	786,319	771,819

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

EGF Theramed Health Corp.

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15. LEASE LIABILITY:

The Company adopted IFRS 16 on July 1, 2019 and the lease liability of the Facility 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 six months ended December 31, 2021 and year ended June 30, 2021:

Balance, June 30 2020	\$	807,855
Interest on lease liability		65,442
Gain on settlement		(451,656)
Gain on foreign exchange		(72,225)
Balance, June 30, 2021	\$	349,416
Interest on lease liability		26,379
Loss on foreign exchange		8,166
Balance, December 31, 2021	\$	383,961

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 19). 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.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT:

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

a. Capital management

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

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*(Unaudited - Expressed in Canadian dollars)***16. FINANCIAL AND CAPITAL RISK MANAGEMENT: (continued)**

b. Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's credit risk was primarily attributable to bank balances and GST/HST receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key 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 December 31, 2021, the Company had a cash balance of \$130,478 (June 30, 2021: \$702,412) and accounts payable and accrued liabilities of \$691,191 (June 30, 2021: \$1,233,317). 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 \$1,629,286 (June 30, 2021: \$1,559,012).

d. Interest rate risk

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

e. Foreign exchange risk

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

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

	December 31, 2021		June 30, 2021	
Cash	US\$	3,000	US\$	3,000
Accounts payable	US\$	359,650	US\$	359,650
Lease liability	US\$	302,856	US\$	281,925

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 \$84,000 (June 30, 2021: \$79,000) in income/loss from operations.

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17. FAIR VALUE:

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

The fair value hierarchy has the following levels:

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2021 and June 30, 2021:

	December 31, 2021		June 30, 2021	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash	\$ 130,478	—	\$ 702,412	—
Marketable securities	\$ 217	—	\$ 217	—

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

18. RELATED PARTY TRANSACTIONS:

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

The following is a summary of the related party transactions that occurred throughout the six months ended December 31, 2021:

- (a) As at the year ended June 30, 2021, the amount payable to David Bentil, former CEO and director of the Company, was \$49,500, which was fully settled during the six months ended December 31, 2021.
- (b) As at the year ended June 30, 2021, the amount payable to Jatinder Dhaliwal, CEO and director of the Company, was \$150,000. During the six months ended December 31, 2021, the Company accrued \$75,000 in management fees and repaid \$50,000. As at December 31, 2021, the amount owing was \$175,000.

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18. RELATED PARTY TRANSACTIONS: (continued)

- (c) As at December 31, 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) As at the year ended June 30, 2021, the accounts payable to Chaudhry U Consulting Inc., a company owned and controlled by Usama Chaudhry, CFO and director of the Company, was \$115,500. During the six months ended December 31, 2021, the Company accrued \$60,000 in management fees and repaid \$130,500. As at December 31, 2021, the amount owing to Chaudhry U Consulting Inc. was \$45,000.
- (e) As at December 31, 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.
- (f) As at December 31, 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.

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 13).
- (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 13).

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18. RELATED PARTY TRANSACTIONS: (continued)

- (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.

Compensation on key management personnel

Six ended December 31,	2021	2020
Management fees	\$ 135,000	\$ 135,000
	\$ 135,000	\$ 135,000

Three ended December 31,	2021	2020
Management fees	\$ 67,500	\$ 67,500
	\$ 67,500	\$ 67,500

19. LEGAL MATTERS:

On August 10, 2020, the Company received a notice to intent to re-enter property to the Facility 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 15).

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.

20. 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.

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20. PLANS OF ARRANGEMENT: (continued)

On July 26, 2019, the Company completed the spin out (divesting) of EGF Health Holdings Corp. by the distribution of 7,790,265 Class Redeemable preferred shares to its shareholders (Note 12).

As of December 31, 2021, the Company has \$3,000 (June 30, 2021: \$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.