Hemp for Health Inc.

Consolidated Financial Statements

For the year ended April 30, 2020 and the period ended April 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hemp for Health Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hemp for Health Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity for the year ended April 30, 2020 and the period from incorporation on October 1, 2018 to April 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the year ended April 30, 2020 and the period from incorporation on October 1, 2018 to April 30, 2019 in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a loss of $2,125,740 during the year ended April 30, 2020. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

August 25, 2020

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

As at		April 30, 2020		April 30, 2019
Assets				
Current				
Cash	$	**714,421**	$	1,551,062
Amounts receivable		**58,223**		13,954
Crop cost advances (note 5)		**-**		388,527
Prepaid expenses and advances		**197,282**		218,950
Total Current Assets		**969,926**		2,172,493
Non-Current assets				
Fixed assets		**8,297**		-
Long term receivable (note 6)		**165,000**		-
Total Assets	$	**1,143,223**	$	2,172,493
Liabilities				
Current				
Trade and other payables	$	**97,707**	$	31,277
Equity				
Share capital (note 7)	$	**3,324,180**	$	2,310,660
Reserves (note 7)		**83,660**		67,140
Accumulated deficit		**(2,362,324)**		(236,584)
Total Equity		**1,045,516**		2,141,216
Total Liabilities and Equity	$	**1,143,223**	$	2,172,493

Basis of preparation and going concern (note 2)

APPROVED ON BEHALF OF THE DIRECTORS:

"Robert Eadie"
Robert Eadie, Director

"Gary Arca"
Gary Arca, Director

HEMP FOR HEALH INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

	For the year ended 30 April, 2020	For the period October 1, 2018 (date of incorporation) to April 30, 2019
Expenses:		
Audit and accounting (note 12)	**$ 70,875**	$ 32,750
Foreign exchange loss (gain)	**10,750**	(3,370)
Legal	**167,681**	53,540
Management fees (note 12)	**155,000**	-
Marketing and consulting	**356,172**	-
Office and administration (note 12)	**136,803**	18,650
Research and development (note 5)	**939,327**	48,284
Shareholder communication and marketing	**77,937**	8,467
Transfer agent and filing fees	**30,821**	748
Travel and accommodations	**191,388**	77,515
Total expenses	**2,136,754**	236,584
Other income:		
Interest earned	**(11,014)**	-
Total loss and comprehensive loss	**$ (2,125,740)**	$ (236,584)
Basic and diluted loss per share	**$ (0.10)**	$ (0.04)
Weighted average shares outstanding – basic and diluted - Note 9	**20,399,212**	6,179,171

HEMP FOR HEALTH INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

	For the year ended April 30, 2020	For the period October 1, 2018 (date of incorporation) to April 30, 2019
Cash provided by (used in):		
Operating activities		
Loss for the period	**$ (2,125,740)**	$ (236,584)
Items not involving cash:		
Amortization	**922**	-
Research and development	**388,527**	-
Shares issued for services	**-**	15,000
Cash generated by operating activities before working capital changes	**(1,736,291)**	(221,584)
Change in non-cash working capital items		
Amounts receivable	**(209,269)**	(13,954)
Crop cost advances	**-**	(388,527)
Prepaid expenses and advances	**21,668**	(218,950)
Trade and other payables	**66,430**	31,277
Cash outflow for operating activities	**(1,857,462)**	(811,738)
Financing activities		
Share issuance	**1,140,400**	2,512,000
Share issuance costs	**(110,360)**	(149,200)
Cash inflow for financing activities	**1,030,040**	2,362,800
Investing activities		
Purchase of fixed assets	**(9,219)**	-
Cash outflow for investing activity	**(9,219)**	-
Total (decrease) / increase in cash	**(836,641)**	1,551,062
Cash, beginning of year	**1,551,062**	-
Cash, end of year	**$ 714,421**	$ 1,551,062
Cash paid for taxes (2020 & 2019)	**$**	**-**
Cash paid for interest (2020 & 2019)	**$**	**-**

During the year ended April 30, 2020, (period from October 1, 2018 (date of incorporation) to April 30, 2019) the Company entered into the following financing non-cash transactions:

Issued finders warrants as finders fees on the private placements **2020 - $16,520** (2019- $67,140)

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

HEMP FOR HEALH INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

	Number of Shares Outstanding	Share Capital	Reserves	Accumulated Deficit	Total equity
Balance – October 1, 2018	1	$ -	$ -	$ -	$ -
Common shares issued pursuant to:					
- Private placement of $0.01	1,500,000	15,000	-	-	15,000
- Issued as fees at $0.01	1,500,000	15,000	-	-	15,000
- Private placement of $0.05	3,900,000	195,000	-	-	195,000
- Private placement of $0.10	100,000	10,000	-	-	10,000
- Private placement of $0.20	11,460,000	2,292,000	-	-	2,292,000
- Share issuance costs	-	(216,340)	67,140	-	(149,200)
Loss for the period	-	-	-	(236,584)	(236,584)
Balance – April 30, 2019	18,460,001	2,310,660	67,140	(236,584)	2,141,216
Common shares issued pursuant to:					
- Private placement of $0.20	1,210,000	242,000	-	-	242,000
- Special warrants at $0.20	392,000	78,400	-	-	78,400
- Private placement of $0.20	4,100,000	820,000	-	-	820,000
- Share issuance costs	-	(126,880)	16,520	-	(110,360)
Loss for the year	-	-	-	(2,125,740)	(2,125,740)
Balance – April 30, 2020	**24,162,001**	**$ 3,324,180**	**$ 83,660**	**$ (2,362,324)**	**$ 1,045,516**

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

Note 1 Corporate Information

Hemp for Health Inc. (the "Company") was incorporated on October 1, 2018 under the *Business Corporations Act* of British Columbia as 1181427 B.C. Ltd, and changed its name to Euro Grow Ltd. on October 3, 2018. It did not commence operations until November 2, 2018. The Company changed its name again to Hemp for Health Inc. on May 3, 2019. The Company is listed on the Canadian Securities Exchange (the "CSE") and the Company's shares commenced trading on the CSE on November 1, 2019 under the trading symbol "HFH". The Company is in the business of growing, processing, packaging and selling cannabidiol and related hemp based products in Italy. The Company set up a wholly-owned Italian subsidiary, Hemp For Health H4H s.r.l. ("H4Hsrl") that operates the business interests in Italy.

The registered address of the Company's corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 Basis of Preparation and Going Concern

a) Statement of Compliance

These consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on August 25th, 2020.

b) Basis of Measurement and Going Concern

The consolidated financial statements have been prepared on a historical cost basis, except biological assets, which are measured at fair value, as explained in the Company's accounting policies discussed in Note 3.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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.

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

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

The Company has not generated revenue from operations and incurred a loss of $2,125,740 during the current year ending April 30, 2020. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future. As at April 30, 2020, the Company had $714,421 in cash, working capital of $872,219 and no long-term debt.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary, which is controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

The Company's wholly-owned subsidiary, H4Hsrl, carries out its operations in Italy. All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation. Legal, corporate and foreign regulatory fees and taxes related to the Italian subsidiary are included in legal costs. All other expenses are included in the related expense categories, including office and administration.

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

Note 3 **Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently during the year ended April 30, 2020.

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. As of April 30, 2020, the Company has no cash equivalents.

Note 3 Summary of Significant Accounting Policies - (cont'd)

b) Biological Assets

The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The effect of realized and unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations. As at April 30, 2020, the Company did not have any hemp planted, resulting in biological assets of $Nil.

c) Inventories

Raw materials, work in process, and finished goods inventories are valued at the lower of cost and net realizable value. Harvested raw material hemp inventories are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory insofar as cost is less than net realizable value. Inventories for resale, in addition to supplies and consumables, are valued at the lower of cost and net realizable value, with standard costing used to determine cost. Inventories are measured at the lower of cost and net realizable value. Net realizable value is calculated as the estimated selling price in the ordinary course of business, less any estimated costs to complete and sell the goods. The cost of inventory includes expenditures incurred in acquiring raw materials, production and conversion costs, depreciation and other costs incurred in bringing inventory to its existing location and condition. The Company uses the standard costing method to track and cost inventory items. The Company maintains three categories of inventory: raw materials, work in process and finished goods.

d) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Borrowing costs that are directly attributable to the acquisition and preparation for use, are capitalized. Capitalization of borrowing costs begins when expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

The capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

Note 3 Summary of Significant Accounting Policies - (cont'd)

d) Equipment – (cont'd)

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial year in which they are incurred.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Leases

The Company leases some items of property. Under IFRS 16 Leases ("IFRS 16"), the Company assesses whether a contract to rent an item of property and equipment is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to the IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;

3) amounts expected to be payable under any residual value guarantees; and

4) exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized costs using the effective interest method.

Note 3 Summary of Significant Accounting Policies - (cont'd)

d) Equipment – (cont'd)

Leases- (cont'd)

The lease liability is remeasured in the following circumstances:

1) if there is a change in the future lease payments resulting from a change in index or rate;

2) if there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and

3) if the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets.

Depreciation and Impairment

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Depreciation of equipment is calculated using the straight-line method, based on the economic life of the asset which is 5 years for the Company's equipment. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use.

The Company reviews and evaluates its equipment for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the recoverable value of a cash generating unit is less than the carrying amount of the assets. An impairment loss is measured and recorded based on the greater of the cash generating unit's fair value less cost to sell or its value in use versus its carrying value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

Equipment that has been impaired in prior periods is tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

Note 3 Summary of Significant Accounting Policies - (cont'd)

e) Financial Instruments

All of the Company's financial instruments are classified into one of the following categories based upon the purpose for which the instrument was acquired or issued. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Recognition

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;

ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,

Note 3 <u>Summary of Significant Accounting Policies</u> - (cont'd)

e) <u>Financial Instruments</u> – (cont'd)

<u>Classification and Measurement</u> – (cont'd)

iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in profit or loss and amounts receivable, which are classified and measured at amortized cost. The Company's financial liabilities consist of trade and other payables, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

<u>Impairment</u>

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

<u>Fair value hierarchy</u>

Financial instruments recognized at fair value on the consolidated statement of financial position must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted observed in active markets) for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

Note 3 Summary of Significant Accounting Policies - (cont'd)

f) Income Tax

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss. Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

g) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued based on their market rate at the date the shares are issued.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds. The residual method is used to calculate the fair value of the warrant component of units issued, whereby the residual of the private placement proceeds less the fair value of the share component is assigned as the fair value of the warrants. The balance if any, is recorded to reserves.

Note 3 Summary of Significant Accounting Policies - (cont'd)

h) Share- based payments

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Over the vesting period, share-based payments are recorded as an operating expense and as reserves.

When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as reserves are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from reserves and credited to deficit.

i) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

j) Standards, Amendments and Interpretations

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IAS 1 "Presentation of Financial Statements"
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 16 "Property, Plant and Equipment"
- IFRS 9 "Financial Instruments"

Note 4 Critical Accounting Estimates and Judgments

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments. The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial period are discussed below:

a) Going Concern

Management makes an assessment about the Company's ability to continue as a going concern by taking into the account the consideration of the various factors discussed in Note 2.

b) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

Note 5 Research and development – farm and crops

During the previous period ended April 30, 2019, the Company engaged certain independent farmers and members of a farming co-operative in Tuscany, Italy to plant up to 100 hectares of hemp on behalf of the Company on a test basis using seeds provided by the Company.

Note 5 Research and development – farm and crops – (cont'd)

In accordance with the terms of agreements, during the period ended April 30, 2019, the Company advanced 256,200 Euros, including VAT tax, and a further 256,200 Euros, including VAT tax, during the year ended April 30, 2020, for a total of $764,488, to be applied against costs for the hemp planting by the farming co-operative. An additional 138,440 Euros, including VAT tax, for a total of $204,641 was paid to other farmers to be applied against costs for hemp planting, cultivation and harvest.

During the year ended April 30, 2020, the co-operative agreement was terminated by the Company and the Company entered into agreements with various agricultural groups to cultivate and harvest hemp on behalf of the Company on up to 59 hectares of farmland. The agreements are for an initial 5 year period with an option to renew for 5 years.

During the year ending April 30, 2020, the above advances were spent on planting of crops and was expensed as research and development, along with seed costs, any related crop costs paid to farmers and the farming co-operative and consulting fees for a total of $988,594, net of VAT taxes receivable. This is offset by $49,267 of proceeds received on sale of the test crop biomass for a net expense of $939,327.

Note 6 Long term receivable

During the year ended April 30, 2020, $165,000 (112,640 Euro) was paid in VAT and is receivable against future VAT paid.

Note 7 Share capital and reserves

a) Common share issuances

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. To date, equity financings have provided the main source of financing.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

During the year ended April 30, 2020, the Company issued the following shares:

- On March 10, 2020, the Company completed a private placement, issuing 4,100,000 units priced at $0.20 per unit, for gross proceeds of $820,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 2,050,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of $0.30 per share.

  The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Cash payments totalling $57,600 and 144,000 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees.

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Note 7 Share capital and reserves – (cont'd)

a) Common share issuances – (cont'd)

Share issue costs include $11,520 calculated as the fair value of the finder's warrants. The fair value of finder's warrants was determined using the Black-Scholes model with the following assumptions:

	March 10, 2020	**May 6, 2019**
Stock price	$0.20	$0.20
Exercise price	$0.30	$0.30
Dividend rate	0%	0%
Expected life	2 Years	2 Years
Expected annual volatility	100.00%	125.00%
Risk-free rate	0.30%	2.14%

- On May 6, 2019, the Company closed a final tranche of a financing and issued 1,210,000 units priced at $0.20 per unit, for gross proceeds of $242,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 605,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of $0.30 per share.

  The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Cash payments totalling $7,760 and 38,800 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees. Share issue costs include $5,000 calculated as the fair value of the finder's warrants. The fair value of finder's warrants was determined using the Black-Scholes model with the assumptions above.

- In November, 2019, the Company issued 392,000 special warrant units priced at $0.20 per special warrant, for gross proceeds of $78,400. Each special warrant unit was converted into one common share of the Company and one-half of one share purchase warrant for 196,000 whole warrants, with each warrant entitling the holder thereof to acquire an additional common share of the Company for a period of two years at a price of $0.30 per share. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. No finders' fees were paid.

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

- Completed a private placement in November, 2018, for aggregate proceeds of $15,000 through the issuance of 1,500,000 shares at $0.01 per share.

- Issued 1,500,000 shares at a value of $0.01 per share for fees relating to farm crops and consulting services to non-related parties.

- Completed private placements in December, 2018, issuing 3,900,000 shares at a price of $0.05 per share for proceeds of $195,000 and through the issuance of 100,000 shares at a price of $0.10 per share for proceeds of $10,000.

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Note 7 Share capital and reserves – (cont'd)

a) Common share issuances – (cont'd)

- Closed the first tranche of a private placement on April 26, 2019, issuing 11,460,000 units priced at $0.20 per unit, for gross proceeds of $2,292,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant for 5,730,000 whole warrants, with each whole warrant entitling the holder there of to acquire an additional common share of the Company for a period of two years at a price of $0.30 per share.

  The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Cash payments totalling $149,200 and 746,000 finder's warrants, with the same terms and conditions as the unit warrants, were paid as finders' fees.

  Share issue costs include $67,140 calculated as the fair value of the finder's warrants.

The fair value of finder's warrants was determined using the Black-Scholes model with the following assumptions:

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

b) Warrants

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

	Number of warrants	Weighted average exercise price
Balance, October 1, 2018	-	$ -
Warrants issued	6,476,000	0.30
Balance, April 30, 2019	6,476,000	0.30
Warrants issued	3,033,800	0.30
Outstanding at April 30, 2020	9,509,800	$ 0.30

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Note 7 **Share capital and reserves – (cont'd)**

b) Warrants – (cont'd)

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Warrants	Exercise Price	Expiry Date
6,476,000	$0.30	April 26, 2021
643,800	$0.30	May 6, 2021
196,000	$0.30	November 5, 2021
2,194,000	$0.30	March 10, 2022
9,509,800	$0.30	

c) Share-Based Payments

The Company's Board has adopted a Stock Option Plan available to eligible directors, officers, employees and consultants to acquire up to 10% of common shares then outstanding (the "Plan"). Under the Plan, options may be granted by the Board at an option price in accordance with regulatory policy for a maximum term of 10 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest at the discretion of the Company and in accordance with regulatory policy. No share purchase options were granted during the year ended April 30, 2020.

Note 8 **Income Taxes**

Income tax expense is recognized based on management's best estimate of the weighted average annual combined federal and provincial income tax rate for the full financial period applied to the pre-tax income. The Company's effective tax rate for the year ended April 30, 2020 was 27.0% (April 30, 2019 – 26.4%).

The differences between the tax expense for the period ended April 30, 2020 and the expected income taxes based on the statutory rate are as follows:

For the period ended April 30,		**2020**		**2019**
Loss before income taxes	**$**	(2,125,740)	**$**	(236,584)
Basic statutory income tax rate		27.00%		26.40%
Expected income tax recovery		(574,000)		(63,000)
Share issue costs		(30,000)		(41,000)
Changes in rates and other		(36,000)		-
Tax benefits not recognized		640,000		104,000
Total income tax recovery	**$**	-	**$**	-

The Company has non-capital losses of $2,420,000 expiring up to 2040, equipment of $9,000 without expiry, and $179,000 share issuance costs expiring in 2044.

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Note 9 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares for the year ended April 30, 2020 and the period ended April 30, 2019 is as follows:

	Year ended April 30, 2020	Period ended April 30, 2019
Issued and outstanding, beginning of the year	**18,460,001**	-
Weighted average shares issued during the year	**1,939,211**	6,179,171
Basic and diluted weighted average number of shares	**20,399,212**	6,179,171

Note 10 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Note 11 Financial Instruments

As at April 30, 2020, the Company's financial instruments consist of cash, amounts receivable and trade and other payables. The fair value of the Company's amount receivable and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation. The Company's cash is carried at FVTPL, where fair value is calculated in accordance with level 1 of the fair value hierarchy.

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2020, US dollar amounts were converted at a rate of $1.3934 Canadian dollars to $1 US dollar and Euro were converted at a rate of $1.5230 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange may increase or decrease loss for the period by approximately $4,600. A 10% increase or decrease in the EUR$ exchange rate will decrease or increase loss for the period by approximately $300.

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Note 11 Financial Instruments – (cont'd)

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of April 30, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components, i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at April 30, 2020 is $714,421 (April 30, 2019 – $1,551,062). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at April 30, 2020, the Company was holding cash of $714,421 (April 30, 2019 – $1,551,062).

Note 12 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the year ended April 30, 2020 and period ended 2019:

Period ended April 30,		**2020**		2019
Audit and accounting	**$**	**15,000**	$	-
Management fees		**155,000**		-
Office and administration		**15,000**		-
Total	**$**	**185,000**	$	-

During the year ended April 30, 2020, the Company incurred operational expenses totalling $185,000 (April 30, 2019: $nil) from companies controlled by the chief financial officer and director of the Company.