

Form 51-102-F1

# HEMP FOR HEALTH INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the period ended January 31, 2022

Directors and Officers as at May 18, 2022

Directors:

Robert Eadie  
Gary Arca  
Gina Pala  
Tanya Lutzke

Officers:

President & CEO – Robert Eadie  
CFO & Corporate Secretary – Gary Arca

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# HEMP FOR HEALTH INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended January 31, 2022

### 1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements of Hemp for Health Inc. (the "Company" or "HFH") for the period ended January 31, 2022. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com)

This MD&A is prepared as of May 18, 2022.

***This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.***

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. Due largely to the pandemic, the Company was unable to continue its hemp operations in Italy. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its further effects on the Company's proposed new business or ability to raise funds.

## **1.2 Overall Performance**

### ***Recent Events***

#### **Hemp for Health Proposes to Mine for Cryptocurrency**

##### ***Change of Business Triggered***

On February 25, 2022, the Company announced that it had entered into a binding letter agreement whereby it will engage a third party to host cryptocurrency mining activities on behalf of HFH. The decision to undertake a fundamental change (as such term is defined in the Canadian Securities Exchange Policy 8) involving a change of business of the Company, was triggered by an opportunity presented to the Board in the cryptocurrency industry.

Pursuant to the agreement dated February 22, 2022, HFH will initially acquire 150 Siacoin mining rigs for the aggregate purchase price of US\$525,000 sourced by Enigma Data Technologies LLC, a Delaware based company (the "Provider"). The Company will then engage the Provider to set-up, host and operate the cryptocurrency mining activities, in exchange for which the Provider will receive 2,668,000 shares of HFH, at a deemed value of \$0.25 a share. HFH will be responsible for ongoing operating costs, to be at an all-in cost of US\$0.055 per kilowatt hour per mining rig. HFH may add additional mining rigs from time to time. The shares of the Company to be received by the Provider will be subject to a hold period of four months and one day, commencing on the day the shares are issued upon receipt of all required approvals.

The above transactions will result in a change of business for HFH, as such term is defined in CSE policies, in that HFH will be changing its business to mining for cryptocurrencies from growing and processing hemp into CBD products. The change of business is subject to the approval of the Canadian Securities Exchange ("CSE") and the Company's shareholders. In this regard, HFH anticipates it will obtain such approval by way of consent resolution. HFH will prepare and file a Listing Statement in the form prescribed by the CSE.

The transactions with the Provider were negotiated at arm's length. There will be no new control blocks or insiders created. There will be no change in the board of directors of HFH other than the appointment of a new director to replace the recently created vacancy (see below), and there will be no change of management. As such, no new escrow of any new or previously issued shares is expected to occur. Closing of the transactions is subject to a number of conditions precedent, including due diligence investigations, negotiation of a definitive agreement with the Provider, raising any required funds, and shareholders' and CSE approvals; and there is no assurance all of the conditions will be satisfied.

In conjunction with HFH's change of business, the Company will also be changing its name to more accurately reflect its new business focus.

#### **Director Resignation**

The Company also announces the resignation of Emiliano Vanni of Arezzo, Italy as a director of the Company. The Company thanks Emiliano for his years of service and invaluable assistance in Hemp for Health's business in Italy.

### ***Description of Business***

Until recently, the Company was in the business of growing, processing, packaging and selling cannabidiol and related hemp based products in Italy through its wholly owned Italian subsidiary, Hemp For Health H4H S.R.L. ("H4Hsr"). See **Section 1.2 -Recent Events for disclosure of a "Change of Business Triggered"**, whereby the Company will be changing its business to mining for cryptocurrencies from growing and processing hemp into CBD products. The change of business is subject to the approval of the CSE and the Company's shareholders.

### **1.3 Selected Annual Information**

The highlights of financial data for the Company's three most recently completed year-ends, which are calculated in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

	April 30, 2021	April 30, 2020	April 30, 2019
	\$	\$	\$
(a) Total revenues	-	Nil	Nil
(b) Total expenses	(1,508,166)	(2,136,754)	(236,584)
(c) Net loss	(1,508,166)	(2,125,740)	(236,584)
(d) Loss per share—basic and diluted	(0.06)	(0.10)	(0.04)
(e) Total assets	31,373	1,143,223	2,172,493
(f) Total long-term liabilities	Nil	Nil	Nil
(g) Cash dividends declared per share	Nil	Nil	Nil

### **1.4 Discussion of Acquisitions, Operations and Financial Condition**

The following should be read in conjunction with the January 31, 2022 unaudited condensed consolidated financial statements of the Company and notes attached thereto.

#### **Annual Results and 2021 Growth Expectations**

The Company entered into agreements with various agricultural groups to cultivate and harvest hemp on behalf of the Company on up to 150 hectares of farmland in the province of Sienna, Italy based on a 5-year initial agreement with the option to renew for an additional 5 years including planting, watering, harvesting and natural fertilizers.

The Company's first year of operations was focused on a test crop which included the CBD Carmagnola strain in the Tuscan valley. Of the 3 hectares of this strain planted, the yield was approximately 3,000 kilos of biomass and 340 kilos of hemp flower. The majority of this product was sold in bulk.

The 2020 growing season was programmed to plant 150 hectares (Ha) from 4 different strains of seed, however, due to the COVID-19 pandemic, fundraising and operations were adversely affected in the first part of 2020. As a result, management determined that it was best to reduce the planting to 59 Ha to best utilize the funds raised in March, 2020, and to allow for a more manageable crop in these uncertain times.

The Company completed the hemp harvest for the 2020 growing season whereby 9 Ha was dedicated to dry flower and 50 Ha dedicated to biomass with hemp varieties that contain high levels of CBD with trace amounts of THC below 0.2% content. The hemp biomass and flowers were cleaned, dried and then weighed while samples were sent to two separate laboratories for analysis of CBD, CBG and THC. At April 30,

2021, it was determined that the raw hemp biomass did not have any economic value to warrant further processing or sale due to low levels of CBD oil content. The Dry Flower and related biomass did have economic values of CBD oil content and amounted to over 20,000 kg. However, due to the uncertainty of sales in the saturated European market at this time and with continuing concerns regarding the COVID-19 pandemic, management decided to write the value of the biomass to \$Nil as at April 30, 2021 and will realize sales, if any, against research and development expenses at the time realized.

During the period ended January 31, 2022, research and development costs were \$417,478 (including VAT taxes due to uncertainty of recovery), with respect to the planting of 20 hectares in 2021, including seedling costs of \$148,500 (103,700 Euro) and the remainder being crop costs from the farmers. Any revenue realized from this crop will be credited against the research and development costs as realized.

### **Environmental Protection**

The operation of our business has no extraordinary environmental protection requirements. As a result, the Company does not anticipate that any environmental regulations or controls will materially affect the business.

## **1.5 Results of Operations**

The loss and comprehensive loss for the nine months ended January 31, 2022, is \$457,949 and for the comparative period ended January 31, 2021, there was a loss and comprehensive loss of \$1,027,740:

<i>For the period ended January 31,</i>	<i>2022</i>	<i>2021</i>	<i>Variance</i>
<b>Expenses</b>			
Audit and accounting	10,687	23,075	(12,388)
Foreign exchange loss	(3,371)	11,000	(14,371)
Legal	17,219	63,128	(45,909)
Management and consulting	34,500	-	34,500
Office and administration	31,512	47,665	(16,153)
Research and development expense	417,478	671,750	(254,272)
Shareholder communication and marketing	5,942	161,876	(155,934)
Transfer agent and filing fees	14,575	9,109	5,466
Travel and accommodations	13,262	40,137	(26,875)
<b>Total Expenses</b>	<b>541,804</b>	<b>1,027,740</b>	<b>(485,936)</b>
<b>Other item:</b>			
Amounts payable forgiven	83,855	-	83,855
<b>Total loss and comprehensive loss for the period</b>	<b>\$ (457,949)</b>	<b>\$ (1,027,740)</b>	<b>\$ 569,791</b>

During the periods ended January 31, 2022 and 2021, the Company expensed crop costs as research and development, along with seedling costs, farmer planting costs and consulting fees for a total of \$417,478 in 2022 and \$709,930 in 2021. The January 31, 2021 cost were offset by \$38,180 of proceeds received on sale of the test crop biomass for a net expense of \$671,750. During the prior year, the Company incurred marketing and shareholder expenses of \$161,876, legal expenses of \$63,128 and travel and accommodations costs of \$40,137 largely in relation to costs in Italy. These are compared to \$5,942, \$17,219 and \$13,262 in the current year, respectively, related to operations in Canada and Italy. The current year costs are much lower due to COVID restrictions resulting in a lack of funding and lower activity over

2021. 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.

### **Financings, Principal Purposes & Milestones**

#### **Consolidation**

On December 2, 2021, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share (the "Consolidation"). Prior to the consolidation, the Company's authorized share capital was an unlimited number of common shares without par value, of which 24,162,001 shares were issued and outstanding, with a further 8,529,000 shares reserved for issuance upon the exercise of outstanding warrants. Upon completion of the share consolidation, there were 12,081,001 common shares issued and outstanding, subject to further share issuances, post-consolidation, as discussed below pursuant to the financing and the settlement of debts. Subsequent to the consolidation and the share issuances noted below under the "Financing" and "Debt Settlement", there are 44,033,501 post consolidated common shares outstanding and 16,759,500 Warrants expiring from April 2022 to February 2024, exercisable at prices between \$0.10 and \$0.60 per share.

#### **Financings**

The Company completed a financing in two tranches to raise a total of \$1,197,500 in gross proceeds as follows:

On December 10, 2021, the Company closed Tranche 1 of its non-brokered private placement, raising \$672,500 in gross proceeds through the issuance of 13,450,000 units at a price of \$0.05 per Unit. Each Unit will consist of one post-consolidated share and one-half of one common share purchase warrant, with each whole Warrant entitling the holder to purchase one post-consolidated common share of the Company at a price of \$0.10 per share for a period of 2 years, provided that in the event the closing price of the Company's Shares is equal to or greater than \$0.20 per share for 30 consecutive trading days at any time following four months after the date of closing, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice.

Aggregate compensation of \$52,000 and 520,000 finders' warrants (having the same general terms as the Warrants forming part of the Units) was paid by the Company as finders' fees, valued at \$7,200 using the Black Scholes method.

Subsequent to January 31, 2022 on February 2, 2022, the Company closed the final tranche of its non-brokered private placement, with the final tranche raising \$525,000 through the issuance of 10,500,000 units at a price of \$0.05 per Unit. Each Unit has the same terms as Tranche 1 above. No finders' fees were payable in this final tranche.

#### **Debt Settlement**

The Company issued 8,002,500 post-consolidated shares in full settlement of outstanding debt in the aggregate amount of \$400,125, representing \$60,625 in fees and \$339,500 in advances owing. Included in this were 1,452,500 shares issued to officers and directors for outstanding fees and advances \$72,625.

## 1.6 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q3 31-Jan-22	Q2 31-Oct-21	Q1 31-Jul-21	Q4 30-Apr-21
Loss for period	\$ (62,590)	\$ (353,658)	\$ (41,701)	\$ (480,426)
Per share – basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.04)

  

	Q3 31-Jan-21	Q2 31-Oct-20	Q1 31-Jul-20	Q4 30-Apr-20
Loss for period	\$ (132,816)	\$ (495,149)	\$ (399,775)	\$ (491,720)
Per share – basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.04)

### *Discussion*

The Company reports a loss of \$62,590 for the quarter ending January 31, 2022 compared to a loss of \$132,816 in the comparative quarter ended January 31, 2021. For more detailed discussion on the quarterly production results and financial results for the quarter ended January 31, 2022, please refer to *Sections 1.5 under "Results of Operations"*.

## 1.7 Liquidity and Capital Resources

As at January 31, 2022, the Company had \$761,562 (April 30, 2021 - \$12,348) in cash, working capital of \$209,956 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

The Company's working capital will not meet corporate, development, administrative and property obligations for the coming year. As a result, the Company will require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern (see financing - *section 1.5 - Financings, Principal Purposes & Milestones*).

## 1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

## 1.9 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties during the period ended January 31, 2022 and 2021:

<u>Period ended January 31,</u>	<u>2022</u>	<u>2021</u>
Audit and accounting	\$ -	\$ 7,500
Management fees	<b>27,500</b>	-
Office and administrative expense	-	10,000
<b>Total</b>	<b>\$ 27,500</b>	<b>\$ 17,500</b>

During the nine months ended January 31, 2022, the Company incurred fees and operational expenses totalling \$27,500 (January 31, 2021: \$17,500) from companies controlled by an officer and director of the Company and by another officer and director. As of January 31, 2022, the Company had amounts payable to officers and directors, and companies with directors in common of \$7,042 (April 30, 2021: \$50,789).

During the period ending January 31, 2022, the CEO and director of the Company advanced 260,000 Euros (approximately \$373,520) to the Company's Italian subsidiary, H4Hsrl on behalf of the Company, to pay certain crop costs and administrative expenses of H4Hsrl. These advances are non-interest bearing and are due on demand.

During the period ended January 31, 2022, \$83,855 in amounts payable for fees, expenses and advances were forgiven as debts to the Company. Included in these amounts was \$62,567 of amounts owing to officers and directors and companies controlled by officers and directors which included amounts payable for fees and advances.

See *Section 1.5 – Debt Settlement* for related party share issuances for settlement of advances and fees.

## **1.10 Critical Accounting Estimates**

### a) Going concern

Management makes an assessment about the Company's ability to continue as a going concern by taking in to account the consideration of the various factors discussed in Note 2 of the January 31, 2022 unaudited interim consolidated financial statements.

### 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 applicable to the Company. 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.



### **1.11 Changes in Accounting Policies**

N/A

### **1.12 Financial and Other Instruments**

As at January 31, 2022, the Company's financial instruments consist of cash, amounts receivable, advances payable, and trade and other payables.

The fair value of the Company's amounts receivable, advances payable, and trade and other payables approximates their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

#### 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 January 31, 2022, US dollar amounts were converted at a rate of \$1.2700 Canadian dollars to \$1 US dollar and Euro were converted at a rate of \$1.4234 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange rate may increase or decrease loss for the period by approximately \$2,545. A 10% increase or decrease in the EUR\$ exchange rate will decrease or increase loss for the period by approximately \$19,781.

#### b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of January 31, 2022. 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.
- (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 January 31, 2022 is \$761,562 (April 30, 2021 - \$12,348). As at that date, cash and short-term investment were held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. 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 January 31, 2022, the Company was holding cash of \$761,562 (April 30, 2021 - \$12,348).

**1.13 Disclosure of Outstanding Share Capital as at May 18, 2022:**

	Number	Book Value
Common Shares	44,033,501	\$ 4,862,605

See *Section 1.2 -Recent Events* for discussion of the Company's subsequent financing which result in the current outstanding shares balance.

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

Number of Shares	Exercise Price	Expiry Date
2,865,000	\$0.60	April 26, 2022
302,500	\$0.60	May 6, 2022
7,245,000	\$0.10	December 23, 2023
5,250,000	\$0.10	February 2, 2024
<b>15,662,500</b>	<b>\$0.14</b>	

During the period ended January 31, 2022, 234,800 warrants exercisable at \$0.30 per share expired unexercised. Subsequent to January 31, 2022, an additional 5,250,000 warrants were issued exercisable at \$0.10 per share expiring February 2, 2024, and 4,264,500 warrants exercisable at \$0.60 per share expired unexercised.

**1.14 Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.