

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: HEMP FOR HEALTH INC. (the “Issuer”).

Trading Symbol: HFH

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

SEE ATTACHED FINANCIAL STATEMENTS AND MD&A FOR THE PERIOD ENDED OCTOBER 31, 2020.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order. N/A

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

[SEE ATTACHED FINANCIAL STATEMENTS AND MD&A FOR THE PERIOD ENDED OCTOBER 31, 2020.](#)

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---------------|--|--|--------|-------|----------------|--|--|-----------------|
| N/A | N/A | N/A | NIL | NIL | NIL | N/A | N/A | N/A |
| | | | | | | | | |
| | | | | | | | | |

(b) summary of options granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|------|--------|---|--|----------------|-------------|-------------------------------|
| N/A | | | | | | |
| | | | | | | |

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

[SEE ATTACHED FINANCIAL STATEMENTS AND MD&A FOR THE PERIOD ENDED OCTOBER 31, 2020.](#)

- description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- number and recorded value for shares issued and outstanding,
- description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

SEE ATTACHED FINANCIAL STATEMENTS AND MD&A FOR THE PERIOD ENDED OCTOBER 31, 2020

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated DECEMBER 24, 2020.

GARY V. ARCA

Name of Director or Senior Officer

"Gary Arca "

Signature

CFO & CORPORATE SECRETARY

Official Capacity

| | | | |
|--|--|--|---|
| Issuer Details Name of Issuer HEMP FOR HEALTH INC. | | For Quarter ended October 31, 2020 | Date of Report December 24, 2020 |
| Issuer Address Suite 750, 580 Hornby Street | | | |
| City/Province/Postal Code Vancouver, BC V6C 3B6 | | Issuer Fax No. (604)602-4936 | Issuer Telephone No. (604)602-4935 |
| Contact Name Gary Arca | | Contact Position Corporate Secretary & CFO | Contact Telephone No. (604)602-4935 |
| Contact Email Address gary@hempforhealth.eu | | Web Site Address www.hempforhealth.eu | |

Hemp for Health Inc.

Condensed Interim Consolidated Financial Statements

For the six months ended October 31, 2020

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

| As at | October 31, 2020 | April 30, 2020 |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 54,130 | \$ 714,421 |
| Amounts receivable | 17,879 | 58,223 |
| Prepaid expenses and advances | 182,919 | 197,282 |
| Inventory asset (note 5) | 300,000 | - |
| Total Current Assets | 554,928 | 969,926 |
| Non-Current assets | | |
| Fixed assets | 7,375 | 8,297 |
| Long term receivable (note 4) | 256,122 | 165,000 |
| Total Assets | \$ 818,425 | \$ 1,143,223 |
| Liabilities | | |
| Current | | |
| Trade and other payables | \$ 367,833 | \$ 97,707 |
| Equity | | |
| Share capital (note 6) | \$ 3,324,180 | \$ 3,324,180 |
| Reserves (note 6) | 83,660 | 83,660 |
| Accumulated deficit | (2,957,248) | (2,362,324) |
| Total Equity | 450,592 | 1,045,516 |
| Total Liabilities and Equity | \$ 818,425 | \$ 1,143,223 |

Basis of preparation and going concern (note 2)

APPROVED ON BEHALF OF THE DIRECTORS:

“Robert Eadie”
Robert Eadie, Director

“Gary Arca”
Gary Arca, Director

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

HEMP FOR HEALTH INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

| | For the three months ended October 31, | | For the six months ended October 31, | |
|---|---|--------------|---|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | - | - | 38,180 | - |
| Unrealized fair value adjustment on biological assets (note 5) | (1,000,000) | - | 300,000 | - |
| Capital costs of biological assets | (306,643) | - | (618,489) | - |
| Gross Margin | (1,306,643) | - | (280,309) | - |
| Expenses: | | | | |
| Audit and consulting fees (note 10) | \$ 4,650 | \$ 55,271 | \$ 10,800 | \$ 122,691 |
| Foreign exchange loss (gain) | 14,077 | (4,197) | 10,827 | 16,056 |
| Legal and corporate services | 34,391 | 78,541 | 45,702 | 78,541 |
| Marketing | 75,400 | 13,879 | 131,057 | 20,422 |
| Office, rent and administration (note 10) | 26,204 | 30,949 | 43,175 | 59,973 |
| Research and development (note 3) | - | 377,389 | - | 795,507 |
| Shareholder communication | 5,623 | 269 | 27,590 | 4,154 |
| Transfer agent and filing fees | 4,564 | 11,100 | 6,859 | 24,934 |
| Travel and accommodations | 23,597 | 47,041 | 38,605 | 124,444 |
| Total expenses | 188,506 | 610,242 | 314,615 | 1,246,722 |
| Other income: | | | | |
| Interest earned | - | (3,175) | - | (9,320) |
| Total loss and comprehensive loss for the period | \$ (1,495,149) | \$ (607,067) | \$ (594,924) | \$ (1,237,402) |
| Basic and diluted loss per share for the period | \$ (0.06) | \$ (0.03) | \$ (0.02) | \$ (0.06) |
| Weighted average shares outstanding – basic and diluted - Note 7 | 24,162,001 | 19,670,001 | 24,162,001 | 19,630,544 |

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

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

| For the six months ended October 31, | 2020 | 2019 |
|---|------------------|--------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Loss for the period | \$ (594,924) | \$ (1,237,402) |
| Items not involving cash: | | |
| Amortization | 922 | 461 |
| Fair value adjustment on biological assets | (300,000) | - |
| Research and development | - | 388,527 |
| Interest earned | - | (1,995) |
| Cash generated by operating activities before working capital changes | (894,002) | (850,409) |
| Change in non-cash working capital items | | |
| Amounts receivable | (50,778) | (174,767) |
| Prepaid expenses and advances | 14,363 | (5,921) |
| Trade and other payables | 270,126 | 38,797 |
| Cash outflow for operating activities | (660,291) | (992,300) |
| Financing activities | | |
| Share issuance | - | 242,000 |
| Share issuance costs | - | (7,760) |
| Share subscription received | - | 78,400 |
| Cash inflow for financing activities | - | 312,640 |
| Investing activities | | |
| Purchase of short-term investments | - | (400,000) |
| Purchase of fixed assets | - | (9,219) |
| Cash outflow for investing activity | - | (409,219) |
| Total decrease in cash | (660,291) | (1,088,879) |
| Cash, beginning of period | 714,421 | 1,551,062 |
| Cash, end of period | \$ 54,130 | \$ 462,183 |

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

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

| | Number of Shares Outstanding | Share Capital | Reserves | Accumulated Deficit | Total Equity |
|-----------------------------------|---|--------------------------|------------------|--------------------------------|---------------------|
| 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 |
| - Share issuance costs | - | (12,760) | 5,000 | - | (7,760) |
| - Special warrants at \$0.20 | 392,000 | 78,400 | - | - | 78,400 |
| Loss for the period | - | - | - | (1,237,402) | (1,237,402) |
| Balance – October 31, 2019 | 20,062,001 | \$ 2,618,300 | \$ 72,140 | \$ (1,473,986) | \$ 1,216,454 |
| - Private placement of \$0.20 | 4,100,000 | 820,000 | - | - | 820,000 |
| - Share issuance costs | - | (114,120) | 11,520 | - | (102,600) |
| Loss for the period | - | - | - | (888,338) | (888,338) |
| Balance – April 30, 2020 | 24,162,001 | \$ 3,324,180 | \$ 83,660 | \$ (2,362,324) | \$ 1,045,516 |
| Loss for the period | - | - | - | (594,924) | (594,924) |
| Balance – October 31, 2020 | 24,162,001 | \$ 3,324,180 | \$ 83,660 | \$ (2,957,248) | \$ 450,592 |

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

HEMP FOR HEALTH INC.
NOTES TO THE CONSENSUED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended October 31, 2020 and 2019
(Stated in Canadian Dollars)

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 Europe. The Company set up a wholly-owned Italian subsidiary, Hemp For Health H4H s.r.l. (“H4Hsr1”) 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 unaudited condensed interim 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”). These unaudited condensed interim consolidated financial statements, for the six month period ended October 31, 2020, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all the information required for full annual financial statement. For summary of significant accounting policies, see note 3 of the Company’s April 30, 2020 audited annual financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s April 30, 2020 audited annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 22, 2020.

b) Basis of Measurement and Going Concern

The unaudited condensed interim 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 of the Company’s April 30, 2020 audited annual financial statements.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 2

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

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

The preparation of condensed interim 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 of the Company's April 30, 2020 audited annual financial 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. 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.

The Company generated \$38,180 in gross revenue from operations and loss of \$594,924 during the period ended October 31, 2020. 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 October 31, 2020, the Company had \$54,130 in cash, working capital of \$187,095 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 condensed interim 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 condensed interim consolidated financial statements are presented in Canadian dollars ("CDN"), which is the functional currency of the Company and its subsidiary.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 3

Note 3 Crops costs

During the year ended April 30, 2020, 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. The payments to these farmers in the period ended October 31, 2020, have been fully expensed to cost of sales as they relate to the cost of the biological assets (note 5) and are considered utilized to achieve the value of the crops as at October 31, 2020.

During the year ended April 30, 2020, 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. Advances to these farmers and co-operative were expensed as research and development, along with seed costs 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 in the year ended April 30, 2020 (October 31, 2019 - \$795,507).

Note 4 Long Term Receivable

To the period ended October 31, 2020, \$256,122 (170,220 Euro) was paid for VAT in Italy and is receivable against future VAT paid.

Note 5 Biological/ Inventory Assets

The Company's biological assets consist of hemp plants. The continuity for biological assets for the six months ended October 31, 2020, is as follows:

| | |
|--|-------------|
| Balance, April 30, 2020 | \$ - |
| Fair value adjustment on biological assets | 1,300,000 |
| Balance, July 31, 2020 | 1,300,000 |
| Transferred to inventory | (300,000) |
| Fair value adjustment on biological assets | (1,000,000) |
| Balance, October 31, 2020 | - |

Biological assets are valued in accordance with IAS 41 – Agriculture (“IAS 41”) and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily hemp plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). In valuing the hemp flower and biomass potential harvest, the Company used an average of unobservable input pricing of raw flower and hemp biomass containing at least 4.5% CBD oil content. While the Company may decide to further process the raw flower and harvest into pure CBD and/or isolate to increase its potential value, this has not been considered in the valuation of the raw material.

At October 31, 2020, the harvest was completed and the Company did not have any Biological assets. Management has determined that the majority of raw hemp biomass did not have significant economic value to warrant further processing or sale. The remaining biomass consisted of dry flower biomass and limited high CBD content biomass. This

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 4

Note 5 Biological/ Inventory Assets – (cont'd)

unrealized biomass was valued at \$300,000 as the estimated fair value less selling costs (solely as biomass without further processing into CBD oils or product) and was transferred from biological asset to inventory at October 31, 2020 with the remaining Biological asset value of \$1,000,000 adjusted to \$ Nil. The payments to farmers in the period ended October 31, 2020, have been fully expensed to capital costs of biological assets as they are considered utilized to achieve the value of the crops as at October 31, 2020. These amounts total \$618,489 for the six-month period ended October 31, 2020 (October 31, 2019 - \$Nil).

Note 6 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.

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% |

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 5

Note 6 Share Capital and Reserves – (cont'd)a) Common share issuances – (cont'd)

- 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.

b) Warrants

A summary of the Company's outstanding share purchase warrants at October 31, 2020, April 30, 2020 and April 30, 2019 is as follows:

| | Number of warrants | Weighted average exercise price |
|---|-----------------------|------------------------------------|
| Balance, April 30, 2019 | 6,476,000 | 0.30 |
| Warrants issued | 3,033,800 | 0.30 |
| Balance Outstanding at April 30, 2020 and October 31, 2020 | 9,509,800 | \$ 0.30 |

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 | |

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 6

Note 6 **Share Capital and Reserves – (cont'd)**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 period ended October 31, 2020.

Note 7 **Loss Per Share**

The denominator for the calculation of loss per share, being the weighted average number of common shares for the period ended October 31, 2020 and 2019 is as follows:

| | Three months ended | | Six months ended | |
|--|---------------------------|-------------------|-------------------------|-------------------|
| | October 31, | | October 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Issued and outstanding, beginning of the period | 24,162,001 | 19,670,001 | 24,162,001 | 18,460,001 |
| Weighted average shares issued during the period | - | - | - | 1,170,543 |
| Basic and diluted weighted average number of shares | 24,162,001 | 19,670,001 | 24,162,001 | 19,630,544 |

Note 8 **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 9 **Financial Instruments**

As at October 31, 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.

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 7

Note 9 Financial Instruments – (cont'd)

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 October 31, 2020, US dollar amounts were converted at a rate of \$1.3315 Canadian dollars to \$1 US dollar and Euro were converted at a rate of \$1.5515 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 \$390. A 10% increase or decrease in the EUR\$ exchange rate will decrease or increase loss for the period by approximately \$28,926.

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 October 31, 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 October 31, 2020 is \$54,130 (April 30, 2020 – \$714,421). 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 October 31, 2020, the Company was holding cash of \$54,130 (April 30, 2020 – \$714,421).

HEMP FOR HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

October 31, 2020

(Stated in Canadian Dollars) - Page 8

Note 10 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the period ended October 31, 2020 and 2019:

| Period ended October 31, | 2020 | 2019 |
|---------------------------------|------------------|------------------|
| Audit and accounting | \$ 6,000 | \$ 7,500 |
| Consulting fees | - | 30,000 |
| Office and administration | 7,000 | 7,500 |
| Total | \$ 13,000 | \$ 45,000 |

During the six months ended October 31, 2020, the Company incurred operational expenses totalling \$13,000 (October 31, 2019: \$45,000) from companies controlled by the chief financial officer and director of the Company.

Form 51-102-F1

HEMP FOR HEALTH INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the period ended October 31, 2020

Directors and Officers as at December 22, 2020

Directors:

Robert Eadie
Gary Arca
Gina Pala
Emiliano Vanni

Officers:

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

Contact Name: Robert Eadie

Contact e-mail: robert@hempforhealth.eu

HEMP FOR HEALTH INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended October 31, 2020

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 "H4H") for the period ended October 31, 2020. 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

This MD&A is prepared as of December 22, 2020.

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. 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.

1.2 **Recent Activity**

HFH Completes Harvest and Provides Corporate Update

Hemp for Health (or the "Company"), a cultivator and distributor of premium CBD products in Italy and other European countries, provides its shareholders with this update on operations and the current outlook in Italy.

The Company has completed the hemp harvest for the 2020 growing season. The hemp biomass and flowers are currently being cleaned, dried and then weighed while samples have been sent to our laboratory partner for analysis.

"We'd like to thank our farm hands and everyone who made the 2020 harvest possible with their hard work," reported Robert Eadie, CEO and President of the Company. "Where there is teamwork and collaboration towards a common goal, anything can be achieved."

On a regulatory front, Italy faces a predicament in its policies towards hemp and CBD legalization. CBD was recently classified as a narcotic, with officials simultaneously banning the compound from the Italian market and requiring authorization from Italian Medicines Agency to produce CBD for oral use. This recent ruling by the Customs and Monopoly Agency completely contradicts the decree set out by the Ministry of Agriculture which listed hemp flowers for "extraction uses" as an agricultural product, and not a drug.

This is being orchestrated while several countries in the European Union make way for Epidiolex, a synthetic version of CBD legalized in the United States.

"There are significant cracks in the logic of the Italian government's position right now," stated Hemp for Health's CEO and President, Robert Eadie. "This recent move can only stifle small businesses, entrepreneurs and farmers focused on bringing a natural product to market, designed to help people live happier and healthier lives.

Hemp for Health can still grow and sell hemp in Italy and, together with its laboratory partner, the Company will pursue all avenues to clear the pathway to rollout its products in Europe and other international markets.

1.3 **Overall Performance**

Description of Business

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 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. ("H4H") that operates the business interests in Europe. The Company's shares are listed on the Frankfurt Stock Exchange ("FSE") under symbol "9HH". The Frankfurt Stock Exchange operated by Deutsche Börse Group is one of the world's largest trading centres for securities and the largest of the eight stock exchanges in Germany. The Frankfurt listing is expected to facilitate the process of trading in its shares by investors in Europe and internationally.

1.4 **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, 2020 | April 30, 2019 | April 30, 2018 |
|---|-----------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ |
| (a) Total revenues | Nil | Nil | Nil |
| (b) Total expenses | (2,136,754) | (236,584) | Nil |
| (c) Net loss | (2,125,740) | (236,584) | Nil |
| (d) Loss per share – basic and diluted | (0.10) | (0.04) | Nil |
| (e) Total assets | 1,143,223 | 2,172,493 | Nil |
| (f) Total long-term liabilities | Nil | Nil | Nil |
| (g) Cash dividends declared per - share | Nil | Nil | Nil |

1.5 **Discussion of Acquisitions, Operations and Financial Condition**

The following should be read in conjunction with the October 31, 2020 unaudited condensed consolidated financial statements of the Company and notes attached thereto.

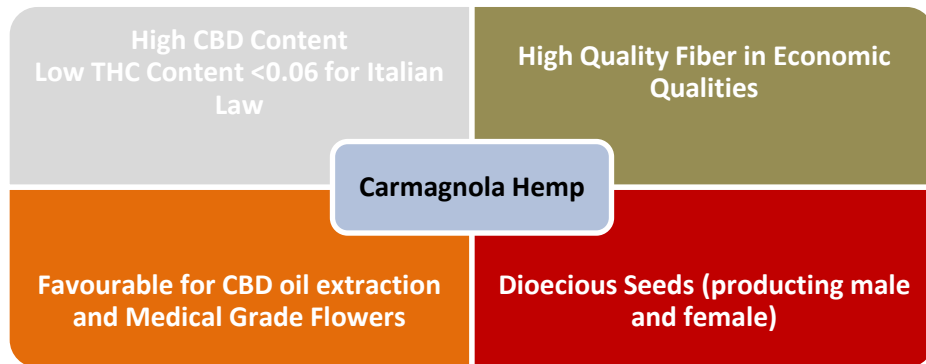
Cultivation Agreements

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 for the 2020 calendar year. These contracts are based on a 5-year initial agreement with the option to renew for an additional 5 years including planting, watering, harvesting and natural fertilizers.

Hemp Industry

The Company is a participant in the legal hemp industry. Hemp, or Industrial Hemp, is typically found in the northern hemisphere, is a strain of the Cannabis sativa plant species, and is grown typically for the industrial applications of its derived products. It is a fast growing plant and has been used for centuries for a variety of uses ranging from paper, textiles, clothing, biodegradable plastics, paint, insulation, biofuel, food, and animal feed.

Although hemp is derived from the species Cannabis sativa and contains the psychoactive component THC, it is a distinct strain with unique phytochemical compositions and uses. Hemp has lower concentrations of THC and typically has higher concentrations of cannabidiol (CBD). The legality of Industrial Hemp varies among countries. Many governments regulate the concentration of THC and permit only hemp that is bred with an especially low THC content. Some other benefits and unique traits of the Carmagnola variety are displayed below in the diagram:



Corporate Overview

Our mission at Hemp for Health is to produce and provide access to high quality hemp-based CBD products so that people can live better lives. Our focus is on four verticals: genetics, cultivation, extraction and partnerships. Through a vertically integrated process, our CBD products will be produced and processed in Tuscany thus achieving the “Made in Tuscany” label, a globally recognized branding strategy. Our test crop in the first year of operations was a Carmagnola hemp strain and the 2019 harvest responded positively to the Tuscan soil and climate.

Strategy

Management believes that an opportunity exists in the cultivation of Hemp for the extraction of CBD and terpene profiles containing myrcene, limonene, and other hydrocarbons. These compounds may provide health benefits and come from a natural source without any adverse psychoactive effects for the user. This is because hemp typically contains less than 0.3% THC. This gives H4H the ability to offer natural products for customers to supplement their diet and health regimes instead of man-made chemicals or drugs. H4H will not produce or sell medicinal or recreational marijuana or products derived from high-THC Cannabis/marijuana plants.

The first test planting was completed in May 2019, and harvested in October 2019. Our short-term strategy was to prove the viability of the various strains of seeds planted in our 2019 test crop and to sell the biomass and flowers in a bulk sale method in the Italian/European market. We are also using a portion of the hemp flower to develop our propriety full spectrum CBD oil with a focus on three products in a tiered pricing module.

It is the Company’s intention to process the Hemp biomass so as to produce and sell Dry Flower and CBD Crude Oil. For future years, the Company will seek to (i) expand the hectares under cultivation, (ii) process the Hemp biomass to produce its own line of CBD related products, and (iii) collaborate with research institutions and universities seeking to enter Europe’s emerging market of hemp-derived cannabidiol (CBD) products.

Positioning of Hemp for Health in the European Market

As a company focused on the “Made in Tuscany” brand, we are committed to creating a portfolio of products that appeal to consumers. Our full spectrum CBD oil will be branded as Tuscan Gold, Tuscan Silver, and Tuscan Bronze. The tiered pricing system will be based on the total content of CBD in each set of CBD oil and our sales will be focused on the European market and nearby jurisdictions. The final pricing

strategy of our products will be determined upon the best available market prices and a careful analysis of the current CBD landscape in Europe.

CBD Crude Oil

This will be the Company's main wholesale product. CBD Crude Oil is the rawest post-extraction form of product. It contains CBD as well as many other cannabinoids and terpenes. Because it requires the least amount of processing and is currently high in demand, the Company can bring this product to market quickly and most effectively. CBD Crude Oil can be stripped of its fats and waxes to yield more pure and high-margin products. Some of these products include full-spectrum CBD oils, distillates, and isolates.

Dry Flower Biomass

This is the dried and ground form of the Hemp, primarily its flower but may also contain leaves. This is akin to the style of dried marijuana cannabis that is primarily smoked. However, this dry flower cannabis contains <0.2% THC, the psychoactive agent in marijuana, and does not intoxicate the user in anyway. It is generally used to extract CBD. Distribution of the dried flower will be wholesale.

2020 Results and 2021 Growth Expectations

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 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 hectares to best utilize the funds raised in March, 2020, and to allow for a more manageable crop in these uncertain times. As such, based on our 2019 test crop results, the Company expected to yield approximately 58,000 kilos of biomass and 9,000 kilos of dried flower.

Completed harvest

The Company has completed the hemp harvest for the 2020 growing season whereby we planted on 59 Ha with hemp varieties that contain high levels of CBD with trace amounts of THC below 0.2% content. The allocation for this year had 9 ha dedicated to dry flower and 50 Ha dedicated to biomass. The hemp biomass and flowers are currently being cleaned, dried and then weighed while samples were sent to two separate laboratories for analysis of CBD, CBG and THC. At October 31, 2020, it was determined that the majority of raw hemp biomass did not have significant economic value to warrant further processing or sale. The remaining biomass consisted of dry flower biomass and limited high CBD content biomass. This biomass, consisting of approximately 14,500 kilograms, was valued at \$300,000, recorded as inventory.

Production Agreements

During the year ended April 30, 2020, 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, of which, 59 hectares were planted. The agreements are for an initial 5 year period with an option to renew for 5 years. The payments to these farmers in the period ended October 31, 2020, have been fully expensed to capital

costs of biological assets as they are considered utilized to achieve the value of the crops as at October 31, 2020.

During the year ended April 30, 2020, 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. Advances to these farmers and co-operative were expensed as research and development, along with seed costs 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 in the year ended April 30, 2020 (October 31, 2019 - \$795,507).

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.

1.6 Results of Operations

The loss and comprehensive loss for the period ended October 31, 2020 is \$594,924 and for the comparative period ended October 31, 2019 there was a loss and comprehensive loss of \$1,237,402:

| For the period ended October 31, | 2020 | 2019 | Variance |
|---|---------------------|-----------------------|-------------------|
| Revenue | \$ 38,180 | - | 38,180 |
| Unrealized fair value adjustment on biological assets | 300,000 | - | 300,000 |
| Capital costs of biological assets | (618,489) | - | (618,489) |
| Gross Loss | (280,309) | - | (280,309) |
| Expenses | | | |
| Audit and accounting | 10,800 | 122,691 | (111,891) |
| Foreign exchange loss | 10,827 | 16,056 | (5,229) |
| Legal | 45,702 | 78,541 | (32,839) |
| Office and administration | 43,175 | 59,973 | (16,798) |
| Research and development expense | - | 795,507 | (795,507) |
| Shareholder communication and marketing | 158,647 | 24,576 | 134,071 |
| Transfer agent and filing fees | 6,859 | 24,934 | (18,075) |
| Travel and accommodations | 38,605 | 124,444 | (85,839) |
| Finance revenue | - | (9,320) | 9,320 |
| Total loss and comprehensive loss for the period | \$ (594,924) | \$ (1,237,402) | \$ 642,478 |

During the period ended October 31, 2020 the Company generated sales, following the completion of its research and development phase, on a portion of the remaining 2019 crop. The Unrealized value of the 2020 hemp crop at July 31, 2020, was estimated to be \$1,300,000 based on valuation of the Biological asset. Biological assets are valued in accordance with IAS 41 – Agriculture (“IAS 41”) and are presented at their fair values less costs to sell up to the point of harvest. The Company’s biological assets are primarily hemp plants and, because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon

unobservable market data (Level 3). In valuing the hemp flower and biomass potential harvest, the Company used an average of unobservable input pricing of raw flower and hemp biomass containing at least 4.5% CBD oil content. While the Company may decide to further process the raw flower and harvest into pure CBD and/or isolate to increase its potential value, this has not been considered in the valuation of the raw material. The valuation of biological assets was based on a market approach where fair value at the point of harvest was estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. As at July 31, 2020, on average, the biological assets were 54% complete as to the next expected harvest date. During the three months ended July 31, 2020, the Company's biological assets produced 33,430 Kg of hemp flower and biomass.

At October 31, 2020, the harvest was completed and the Company did not have any Biological assets. Management has determined that the majority of raw hemp biomass did not have significant economic value to warrant further processing or sale. The remaining biomass consisted of dry flower biomass and limited high CBD content biomass. This unrealized biomass was valued at \$300,000 and was transferred from biological asset to inventory at October 31, 2020 with the remaining biomass value of \$1,000,000 adjusted to \$ Nil. The payments to farmers in the period ended October 31, 2020, have been fully expensed to capital costs of biological assets as they are considered utilized to achieve the value of the crops as at October 31, 2020. These amounts total \$618,489 for the six-month period ended October 31, 2020 (October 31, 2019 - \$Nil).

The 2020 crop costs consisting of seeds costs and advances to farmers were expensed to cost of sales as the benefit of these costs were utilized as of the period ended October 31, 2020. During the prior period ended October 31, 2019, the Company incurred \$795,507 in expenses related to research and development (R&D) as it was optimizing its process to grow the crop more efficiently. This R&D phase ended at April 30, 2020, and as such, no R&D costs have been incurred for the period ended October 31, 2020.

During the prior period, the Company incurred audit and accounting expenses of \$122,691 and travel and accommodations costs of \$124,444 compared to \$10,800 and \$38,605 in the current period, respectively. These expenses were in relation to start-up costs in Italy. 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

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. 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.

On May 6, 2019, the Company closed the 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. Cash payments totalling \$7,760 and 38,800 finders' warrants with the same terms and conditions as the unit warrants, were paid as finders' fees.

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.

1.7 Summary of Quarterly Results

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

| | Q2 31-Oct-20 | Q1 31-Jul-20 | Q4 30-Apr-20 | Q3 31-Jan-20 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Income (loss) for period | \$ (1,495,149) | \$ 900,225 | \$ (491,720) | \$ (396,618) |
| Per share – basic and diluted | \$ (0.06) | \$ 0.04 | \$ (0.02) | \$ (0.02) |

| | Q2 31-Oct-19 | Q1 31-Jul-19 | Q4 31-Apr-19 | Q3 31-Jan-19 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Loss for period | \$ (607,067) | \$ (630,335) | \$ (138,093) | \$ (98,491) |
| Per share – basic and diluted | \$ (0.03) | \$ (0.03) | \$ (0.02) | \$ (0.02) |

Discussion

The Company reports a loss of \$1,495,149 for the quarter ending October 31, 2020 compared to a loss of \$607,067 in the comparative quarter ended October 31, 2019. For more detailed discussion on the quarterly production results and financial results for the quarter ended April 30, 2020, please refer to *Sections 4.1 and 4.1 and 1.4.1 under "Results of Operations"*.

1.8 Liquidity and Capital Resources

As at October 31, 2020, the Company had \$54,130 (April 30, 2020 - \$714,421) in cash, working capital of \$187,095 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 may not meet corporate, development, administrative and property obligations for the coming year. As a result, the Company may 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 1.4.1 - Financings, Principal Purposes & Milestones*).

1.9 Off Balance Sheet Arrangements

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

1.10 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties during the period ended October 31, 2020 and 2019:

| <u>Period ended October 31,</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------------|------------------|------------------|
| Audit and accounting | \$ 6,000 | \$ 7,500 |
| Consulting fees | - | 30,000 |
| Office and administrative expense | 7,000 | 7,500 |
| <u>Total</u> | <u>\$ 13,000</u> | <u>\$ 45,000</u> |

During the six months ended October 31, 2020, the Company incurred operational expenses totalling \$13,000 (October 31, 2019 - \$45,000) from companies controlled by the chief financial officer and director of the Company.

1.11 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 October 31, 2020 unaudited interim consolidated financial statements.

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.

1.12 Changes in Accounting Policies

N/A

1.13 **Financial and Other Instruments**

As at October 31, 2020, the Company's financial instruments consist of cash, amounts receivable and trade and other payables.

The fair value of the Company's amounts receivable 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 October 31, 2020, US dollar amounts were converted at a rate of \$1.3315 Canadian dollars to \$1 US dollar and Euro were converted at a rate of \$1.5515 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 \$390. A 10% increase or decrease in the EUR\$ exchange rate will decrease or increase loss for the period by approximately \$28,926.

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 October 31, 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.
- (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 October 31, 2020 is \$54,130 (April 30, 2020 - \$714,421). 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 October 31, 2020, the Company was holding cash of \$54,130 (April 30, 2020 - \$714,421).

1.14 Disclosure of Outstanding Share Capital as at December 22, 2020:

| | Number | Book Value |
|---------------|------------|--------------|
| Common Shares | 24,162,001 | \$ 3,324,180 |

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

| Number of Shares | 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 | |

1.15 Approval

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