LeanLife Health Inc.

Financial Statements

For the years ended March 31, 2020 and 2019

Expressed in Canadian dollars

charlton

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
LeanLife Health Inc.

Opinion
We have audited the financial statements of LeanLife Health Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2020 and March 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

Material Uncertainty Related to Gong Concern
We draw attention to Note 1 of the financial statements, which indicates that the Company has a working capital deficiency of $1,207,263. As stated in Note 1, 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 comprises the Management Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 Robert G. Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

July 29, 2020

LeanLife Health Inc.
Statements of Financial Position
For the years ended March 31,
(Expressed in Canadian dollars)

	Note	March 31, 2020	March 31, 2019
ASSETS			
CURRENT ASSETS			
Cash		**$ 38**	$ 26,191
Amounts receivable		**45,754**	72,538
Subscriptions receivable	**9**	**-**	185,000
TOTAL CURRENT ASSETS		**45,792**	283,729
Equipment	**6**	**3,828**	466,690
TOTAL ASSETS		**$ 49,620**	$ 750,419
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 1,207,504**	$ 347,299
Advances and amounts owing to related parties	**10**	**45,551**	134,172
TOTAL LIABILITIES		**1,253,055**	481,471
SHAREHOLDERS' EQUITY			
Share capital	**9**	**10,810,025**	9,481,137
Equity reserves	**9**	**1,045,007**	894,093
Deficit		**(13,058,467)**	(10,106,282)
		(1,203,435)	268,948
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 49,620**	$ 750,419

Nature and continuance of operations (Note 1)
Events occurring after the reporting date (Note 14)

These financial statements were authorized for issue by the Board of Directors on July 29, 2020. They are signed on the Board's behalf by:

"Stan Lis" "Glen Macdonald"

Director Director

The accompanying notes are an integral part of these financial statements

LeanLife Health Inc.
Statements of Loss and Comprehensive Loss
For the years ended March 31,
(Expressed in Canadian dollars)

	Note		2020		2019
Expenses					
Amortization	**6**	**$**	**6,492**	**$**	14,552
Bank charges and interest			**442**		1,325
Consulting fees	**10**		**739,686**		631,367
Engineering and testing	**10**		**286,379**		60,127
Financial services			**214,286**		263,238
Management and director fees	**10**		**314,500**		320,800
Office and general	**10**		**67,583**		106,304
Professional fees	**10**		**273,608**		291,284
Product marketing			**305,376**		279,604
Shareholder liaison and promotion			**76,851**		118,814
Stock based compensation	**9c, 10**		**198,504**		460,540
Transfer agent and filing fees			**29,065**		25,961
Travel			**80,873**		49,353
Warehouse rental			**27,914**		88,029
Website			**1,970**		9,622
			(2,623,529)		(2,720,920)
Other items					
Loss on sale of equipment	**6**		**(271,038)**		-
Loss on settlement of debt	**9b**		**(30,233)**		-
Write-off of equipment	**6**		**(27,385)**		-
Loss and comprehensive loss		**$**	**(2,952,185)**	**$**	(2,720,920)
Loss per share, basic and diluted		**$**	**(0.03)**	**$**	(0.04)
Weighted average number of shares outstanding			**102,794,743**		67,174,058

The accompanying notes are an integral part of these financial statements

LeanLife Health Inc.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

		Share Capital				
	Note	Shares	Amount	Equity reserves	Deficit	Total
Balance, March 31, 2018		56,115,318	$ 7,309,664	$ 441,526	$ (7,385,362)	$ 365,828
Private placement	9b	37,870,000	1,893,500	-	-	1,893,500
Issue costs	9b	-	(10,000)	-	-	(10,000)
Exercise of warrants	9b	1,700,000	255,000	-	-	255,000
Stock based compensation		-	-	460,540	-	460,540
Exercise of stock options	9c	500,000	25,000	-	-	25,000
Fair value of stock options exercised		-	7,973	(7,973)	-	-
Loss for the year		-	-	-	(2,720,920)	(2,720,920)
Balance, March 31, 2019		96,185,318	$ 9,481,137	$ 894,093	$ (10,106,282)	$ 268,948
Balance, March 31, 2019		96,185,318	$ 9,481,137	$ 894,093	$ (10,106,282)	$ 268,948
Shares issued for debt settlement	9b	21,671,300	1,113,798	-	-	1,113,798
Shares issued for services	9b	2,750,000	112,500	-	-	112,500
Stock based compensation	9c	-	-	198,504	-	198,504
Exercise of stock options	9b	1,100,000	55,000	-	-	55,000
Fair value of stock options exercised	9b	-	47,590	(47,590)	-	-
Loss for the year		-	-	-	(2,952,185)	(2,952,185)
Balance, March 31, 2020		121,706,618	$ 10,810,025	$ 1,045,007	$ (13,058,467)	$ (1,203,435)

The accompanying notes are an integral part of these financial statements

LeanLife Health Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Cash Flows from Operating Activities			
Loss for the year		**$ (2,952,185)**	$ (2,720,920)
Items not affecting cash:			
Amortization		**6,492**	14,552
Stock based compensation		**198,504**	460,540
Loss on sale of equipment		**271,038**	-
Loss on settlement of debt		**30,233**	-
Shares issued for services		**27,385**	-
Write-off of equipment		**112,500**	-
		(2,306,033)	(2,245,828)
Changes in non-cash working capital:			
Amounts receivable		**26,784**	17,140
Prepaid expenses and deposits		**-**	62,191
Accounts payable and accrued liabilities		**1,972,675**	155,087
Net cash provided by (used in) operating activities		**(306,574)**	(2,011,410)
Cash Flows from Financing Activities			
Issuance of shares		**-**	1,988,500
Issue costs		**-**	(10,000)
Options exercised		**55,000**	-
Related parties		**(88,621)**	60,720
Subscriptions receivable		**185,000**	-
Net cash provided by financing activities		**151,379**	2,039,220
Cash Flows from Investing Activities			
Purchase of manufacturing equipment		**(15,958)**	(46,245)
Leasehold improvements		**-**	(2,000)
Sale of manufacturing equipment		**145,000**	-
Net cash used in investing activities		**129,042**	(48,245)
Change in cash and cash equivalents		**(26,153)**	(20,435)
Cash and cash equivalents at beginning of period		**26,191**	46,626
Cash and cash equivalents at end of period		**$ 38**	$ 26,191
Cash and cash equivalents consist of:			
Cash		**$ 38**	$ 26,191
Interest paid		**$ -**	$ -
Income taxes paid		**$ -**	$ -

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

LeanLife Health Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on January 12, 2014. On June 18, 2014, the Company became a reporting issuer in British Columbia, Alberta and Ontario. On December 17, 2014, the Company was listed and began trading on the Canadian Securities Exchange ("CSE"). On December 3, 2015, the Company changed its name to LeenLife Pharma International Inc. On January 15, 2018, the Company changed its name to LeanLife Health Inc. the Company trades on the CSE under the symbol "LLP".

The Company is focused on proprietary plant-based food products. The head office and registered and records office for the Company is located at Suite 380 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

Any business the Company proposes to undertake may take some time to achieve profitable operation and the amount of resulting income, if any, is difficult to determine with any certainty. As a development stage company, at March 31, 2020, the Company had not yet achieved profitable operations and has accumulated losses of $13,058,467 (2019 - $10,106,282) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis of accounting principles applicable to a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. At March 31, 2020, the Company had working capital deficiency of $1,207,263 (March 31, 2019 - working capital deficiency of $197,742). The Company's ability to continue as a going concern and realize the carrying value of its assets is dependent on its ability to raise capital through equity financing, or upon the generation of profits from its portfolio of biopharmaceutical assets, the outcome of which cannot be predicted at this time. These matters indicate the existence of a material uncertainty and may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency and have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

Judgments made by management that have the most significant effect on the financial statements are discussed in Notes 3d), 3e), 3f) and 3i).

a. Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at March 31, 2020, there is $nil (2019 - $nil) included as cash equivalents.

b. Shared-based payments

Pursuant to the Company's option plan ("Option Plan"), the Company may grant stock options to directors, officers and employees for the purchase of the capital stock of the Company. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

c. Capital assets

Capital assets are carried at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized using the declining balance basis at the following rates:

Equipment – 20%

Computer equipment – 30%

Depreciation is recognized using the straight-line method basis at the following rates:

Leasehold improvements – 3 years

Depreciation will be recognized using the declining balance basis at the following rates:

Manufacturing equipment – 20%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in warrants reserve is transferred to capital stock.

e. Deferred income taxes

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

f. Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at April 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on April 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

g. Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

h. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss).

i. Earnings (loss) per share

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

j. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Recent Accounting Pronouncements

During the year ended March 31, 2020, the Company adopted the following accounting standard:

• IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. The new standard eliminates the classification of leases as either operating or finance leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Management reviewed its current operations and noted no impact on the adoption of IFRS 16.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions 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 assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments 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 year are discussed below:

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. The Company likely has insufficient funds from which to finance its operating activities for the next 12 months; consequently, the Company remains dependent on external sources of financing until such time as it can internally generate sufficient revenue to service its on-going operating cost requirements.

Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

- the estimated useful lives and residual value of property, plant and equipment which are included in the statement of financial position and the related amortization included in the statement of loss and comprehensive loss;

- the inputs in accounting for share-based payment transactions in the statement of loss and comprehensive loss (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate; and

- the determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

5. SEGMENTED INFORMATION

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. As at March 31, 2020, the Company considers that it has one reportable business segment.

(Expressed in Canadian dollars)

6. EQUIPMENT

	Manufacturing equipment	Equipment	Leasehold improvements	Total
Cost				
Balance at March 31, 2018	$ 398,698	$ 35,942	$ 6,500	$ 441,140
Additions	46,245	-	2,000	48,245
Balance at March 31, 2019	444,943	35,942	8,500	489,385
Additions	-	15,958	-	15,958
Disposals	(444,943)	-	(8,500)	(453,443)
Write-off due to impairment	-	(38,567)	-	(38,567)
Balance at March 31, 2020	$ -	$ 13,333	$ -	$ 13,333
Amortization and impairment				
Balance at March 31, 2018	$ -	$ 7,782	$ 361	$ 8,143
Amortization	-	6,413	8,139	14,552
Balance at March 31, 2019	-	14,195	8,500	22,695
Amortization	-	6,492	-	6,492
Disposition adjustment	-	(11,182)	(8,500)	(19,682)
Balance at March 31, 2020	$ -	$ 9,505	$ -	$ 9,505
Carrying amounts				
at March 31, 2019	$ 444,943	$ 21,747	$ -	$ 466,690
at March 31, 2020	$ -	$ 3,828	$ -	$ 3,828

During the year ended March 31, 2020, the Company sold manufacturing equipment for proceeds of $145,000 (2019 - $nil) and incurred a loss on sale of equipment of $271,038 (2019 - $nil).

7. LICENCES

In October the Company announced it had entered into an exclusive agreement with BioCube Corporation Ltd. (“BioCube”), an Australian company with offices in British Columbia, whereby BioCube will supply BioCube processors on an exclusive worldwide basis to the Issuer for the processing of flax thereby enabling the Issuer to manufacture its Omega 3 products based on flax seed oil.

BioCube has agreed to manufacture the BioCube Processor for processing of flaxseed oil exclusively for the Company on following terms:

During the year ended March 31, 2019 the Company terminated the agreement with BioCube.

8. COMMITMENTS

(a) Marketing Agreement

In January 2018, the Company entered into an agreement with RD Heritage Group, LLC (“RD Heritage”) whereby RD Heritage undertook to market and sell the Company’s products. The term of the agreement was for a period of 180 days after which the Company could terminate within 30 days notice. Pursuant to the agreement, RD Heritage was granted 800,000 warrants and paid $35,000 USD per month. The warrants have a fair value of $175,978 (see Note 9d). The Company terminated the agreement on July 5, 2018. As at March 31, 2020, the Company has a balance owing of $200,957 (2019 - accrued liability of $138,000) for services billed by RD Heritage. On June 2, 2020, the Company issued 2,100,000 cashless warrants at $0.075 each expiring on June 2, 2025 as full and complete settlement with RD Heritage.

8. COMMITMENTS (continued)

(b) Operating Leases

The Company had entered into two lease commitments for office space, and warehouse and production space in the prior year. The Company terminated both lease agreements during the year ended March 31, 2019.

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

For the year ended March 31, 2020

The Company issued a total of 21,671,300 shares in settlement of debt to creditors for a total of $1,083,565. The fair value of the shares issued was $1,113,798.

The Company issued a total of 2,750,000 shares in recognition of service achievements to consultants of the Company. The fair value of the shares issued was $112,500.

Stock options were exercised for a total of 1,100,000 shares at $0.05 per share for a total of $55,000. The fair value of the stock exercised is $47,590 based on stock-based compensation of $460,540 as shown in note (c) below.

For the year ended March 31, 2019

The Company closed the 1st tranche of a non-brokered private placement for a total of 11,400,000 units at 0.05 per unit for an aggregate of $570,000. Each unit consists of one common share of the Company and one warrant to purchase an additional share at $0.075 per share for a period of three years, until September 27, 2021. The Company incurred issue costs of $10,000, paid in cash.

The Company closed the 2nd tranche of a non-brokered private placement for a total of 26,470,000 units at 0.05 per unit for an aggregate of $1,323,500, of which $522,500 was issued as shares for debt to current debt holders. Each unit consists of one common share of the Company and one warrant to purchase an additional share at $0.075 per share for a period of three years, until February 8, 2022. As at March 31, 2019, $185,000 of the private placement is included in subscriptions receivable.

Warrants from the private placement completed in 2016, were exercised for a total of 1,700,000 warrants for a total of $255,000.

Stock options were exercised for a total of 500,000 shares at $0.05 per share for a total of $25,000. The fair value of the stock exercised is $7,973 based on stock-based compensation of $185,900 as shown in note (c) below.

(c) Stock options

The Company has established a stock option plan for directors, employees and consultants which is administered by the board of directors with full and final authority with respect to the granting of all options. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. The number of common shares issuable under the plan may not exceed 10% of the issued and outstanding common shares.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

The changes in stock options were as follows:

	For the year ended March 31, 2020	Weighted Average Exercise Price	For the year ended March 31, 2019	Weighted Average Exercise Price
Balance, beginning of period	9,500,000	$ 0.08	2,450,000	$ 0.18
Activities during the period:				
Granted	4,460,000	0.05	8,000,000	0.06
Exercised	(1,100,000)	0.05	(500,000)	0.05
Expired	(4,400,000)	0.08	(450,000)	0.18
Balance, end of period	8,460,000	$ 0.07	9,500,000	0.08

During the year ended March 31, 2020, the Company granted a total of 4,460,000 options. A total of 1,100,000 stock options were exercised at $0.05 each.

Using the fair value method for share-based payments, a total expense of $198,504 was recorded in the statements of comprehensive loss for the year ended March 31, 2020.

The current amount was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a weighted average expected stock option life of 5 years, a weighted average annual volatility of the Company's share price of 177.2% and average annual risk free interest rates of 1.64%.

During the year ended March 31, 2019, the Company granted a total of 8,000,000 options. A total of 500,000 stock options were exercised at $0.05 each.

Using the fair value method for share-based payments, a total expense of $460,540 was recorded in the statements of comprehensive loss for the year ended March 31, 2019.

The amount was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a weighted average expected stock option life of 5 years, a weighted average annual volatility of the Company's share price of 188% and average annual risk free interest rates of 1.76%.

(ii) The following table summarizes information about stock options outstanding at March 31, 2020.

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$ 0.18	1,100,000	1,100,000	0.2
$ 0.05	4,260,000	4,260,000	3.9
$ 0.07	3,100,000	3,100,000	3.6
	8,460,000	8,460,000	3.3

(Expressed in Canadian dollars)

9. SHARE CAPITAL continued

(d) Warrants

(i) The changes in warrants were as follows:

	For the year ended March 31, 2020	Weighted Average Exercise Price	For the year ended March 31, 2019	Weighted Average Exercise Price
Balance at beginning of period	65,705,000	$ 0.11	32,715,000	$ 0.15
Activities during the period:				
Issued	19,414,600	0.075	37,870,000	$ 0.075
Expired	(1,800,000)	0.26	(3,180,000)	$ 0.15
Exercised	-	-	(1,700,000)	$ 0.15
Balance at end of period	83,319,600	$ 0.10	65,705,000	$ 0.11

(ii) The following table summarizes information about warrants outstanding at March 31, 2020:

Number outstanding	Exercise price	Expiry date
8,210,000	0.15	December 16, 2020
17,825,000	0.15	December 12, 2020
11,400,000	0.075	September 27, 2021
15,894,600	0.075	December 6, 2021
26,470,000	0.075	February 8, 2022
3,520,000	0.075	December 20, 2025
83,319,600		

10. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with key management personnel of the Company and companies controlled by key management personnel. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Management fees	$ 288,000	$ 320,800
Directors fees	26,500	-
Consulting fees	263,878	301,667
Professional fees	239,214	275,500
Automotive expenses	-	21,000
Engineering and testing	155,104	50,500
Stock based compensation	195,314	230,270
	$ 1,168,010	$ 1,199,737

As at March 31, 2020 accounts payable and accrued liabilities included $45,551 (March 31, 2019 - $134,172) owing to officers and directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

(Expressed in Canadian dollars)

11. INCOME TAXES

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

	2020	2019
Net income (loss) for the year	**$ (2,952,185)**	$ (2,720,920)
Statutory income tax rates	27%	26%
Income tax benefit computed at Canadian statutory tax rate	(797,090)	(767,568)
Items not deductible for income tax purposes	67,228	1,817
Unrecognized benefit of deferred income tax assets	790,554	534,389
Change in tax rate	(60,692)	-
	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

Temporary differences for:	2020	2019
Income tax assets		
Non-capital loss carry-forward	$ 8,510,481	$ 5,999,157
Equipment	-	17,056
Share issue costs	34,618	53,302
	$ 8,545,099	$ 6,069,515

As at March 31, 2020, the Company has estimated non-capital losses for Canadian income purposes that may be carried forward to reduce taxable income derived in future years. If not utilized, these losses will expire as follows:

Year of expiry	
2034	$ 3,000
2035	270,000
2036	456,000
2037	967,000
2038	1,821,000
2039	2,274,000
2040	2,719,000
	$ 8,510,000

12. CAPITAL DISCLOSURES

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

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and advances and amounts owing to related parties. Cash is stated at fair value and classified within Level 1 of the fair value hierarchy. The fair values of accounts payable and accrued liabilities and advances and amounts owing to related parties approximate their carrying values due to their short- term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Strategic and operational risks are risks that arise if the Company fails to develop the real estate development Business. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

The Company's credit risk was primarily attributable to bank balances and subscriptions receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. Subscriptions receivable is due from the parent company and management believes that the credit risk to be minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Company had a cash balance of $38 (2019 - $26,191) and current liabilities of $1,253,055 (2019 - $481,471). All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short-term and long-term cash requirements.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. Accrued liabilities are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

14. EVENTS OCCURRING AFTER THE REPORTING DATE

The Company received $25,000 on the exercise of 500,000 stock options.

The Company granted stock options to directors, officers and consultants to purchase up to a total 4,190,000 common shares, exercisable at a price of $0.05 per share. The stock options are exercisable for five years expiring on April 7, 2025.

The Company issued 12,632,500 shares at $0.05 per share to settle debts of $631,625. The fair value of the shares issued was $378,975.

The Company issued a total of 2,000,000 shares at a deemed value of $0.05 per share in recognition of service achievements by consultants of the Company. The fair value of the shares issued was $0.04 per share.

The Company received a loan of $75,000 on April 30, 2020 at an interest rate of 5% per annum, repayable within one year. The Company issued 1,526,959 shares on July 24, 2020, at $0.05 per share as payment in full of the loan.

The Company signed a letter of intent with FoodCare Group, a food & beverage company based in Poland. The scope of the collaboration is to build a distribution network for FoodCare products in Canada and the United States. The parties have set out a six-month period to finalize agreements during which FoodCare has committed exclusivity to LeanLife.