

LeanLife Health Inc.

**Condensed Interim Consolidated Financial Statements
(unaudited)**

For the three-month period ended June 30, 2021 and 2020

Expressed in Canadian dollars
(Unless Noted Otherwise)

LeanLife Health Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	June 30, 2021	March 31, 2021
ASSETS			
CURRENT ASSETS			
Cash		\$ 30,440	\$ 263,169
GST receivable		123,213	107,158
Inventory	6	669,564	177,796
Due from related party	12	164,594	200,244
Deposit	6	-	301,250
Prepaid expenses		53,152	86,944
TOTAL CURRENT ASSETS		1,040,963	1,136,561
Equipment	7	152,738	150,229
TOTAL ASSETS		\$ 1,193,701	\$ 1,286,790
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 598,692	\$ 456,882
Loans payable	10	263,985	250,000
Advances and amounts owing to related parties	12	316,421	195,761
Derivative liability	8	120,021	154,301
TOTAL LIABILITIES		1,299,119	1,056,944
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	11	15,952,859	15,770,359
Equity reserves	11	1,450,097	1,251,438
Subscriptions receivable	11	(40,125)	(85,125)
Commitment to issue shares	11	-	22,500
Deficit		(17,468,249)	(16,729,326)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(105,418)	229,846
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		\$ 1,193,701	\$ 1,286,790

Nature and continuance of operations (Note 1)

Commitments (Note 9)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 30, 2021. They are signed on the Board's behalf by:

 "Stan Lis"
 Director

 "Glen Macdonald"
 Director

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

LeanLife Health Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the Three-Month Period Ended	Note	June 30, 2021	June 30, 2020 (reclassified)
Expenses			
Advertising and promotion		\$ 142,412	\$ -
Consulting fees	12	11,429	109,909
Depreciation	7	571	516
Engineering and testing	12	306	45,000
Foreign exchange gain		(1,190)	(9,411)
Interest	10	3,740	-
Investor relations	12	46,500	33,500
Management and director fees	12	77,000	72,000
Office and general		52,093	34,128
Professional fees	12	84,939	71,840
Product marketing	12	111,873	97,099
Share-based payments	11c, 12	198,659	119,119
Storage and warehousing		13,577	-
Transfer agent and filing fees		13,351	5,899
Travel		3,246	-
Website		14,697	-
		(773,203)	(579,599)
Gain (loss) on settlement of debt	8,11b	-	335,021
Gain (loss) on revaluation of derivative liability	8	34,280	(1,826)
Loss and comprehensive loss for the period		\$ (738,923)	\$ (246,404)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted		196,413,769	123,695,365

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

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

	Note	Share Capital		Equity reserves	Shares subscribed	Commitment to issue shares	Deficit	Total
		Number	Amount					
Balance, March 31, 2020		121,706,618	\$ 10,810,025	\$ 1,045,007	\$ -	\$ -	\$(13,058,467)	\$ (1,203,435)
Shares issued for debt settlement	11b	13,382,500	468,388	-	-	-	-	468,388
Shares issued for services	11b	250,000	7,500	-	-	-	-	7,500
Exercise of stock options	11b	500,000	25,000	-	-	-	-	25,000
Fair value of stock options exercised	11b	-	22,606	(22,606)	-	-	-	-
Share-based payments	11c	-	-	119,119	-	-	-	119,119
Loss for the period		-	-	-	-	-	(246,404)	(246,404)
Balance, June 30, 2020		135,839,118	\$ 11,333,519	\$ 1,141,520	\$ -	\$ -	\$(13,304,871)	\$ (829,832)
Shares issued for debt settlement	11b	23,000,000	1,874,587	(183,653)	-	-	-	1,690,934
Shares issued for loan settlement	11b	1,526,959	76,348	-	-	-	-	76,348
Shares issued for services	11b	1,750,000	72,500	-	-	22,500	-	95,000
Shares issued for finders' fees	11b	5,000,000	200,000	-	-	-	-	200,000
Exercise of warrants	11b	22,790,000	1,722,350	-	-	-	-	1,722,350
Exercise of stock options	11b	5,450,000	272,500	-	-	-	-	272,500
Fair value of stock options exercised	11b	-	218,555	(218,555)	-	-	-	-
Share-based payments	11c	-	-	512,126	-	-	-	512,126
Subscriptions receivable	11b	-	-	-	(85,125)	-	-	(85,125)
Loss for the period		-	-	-	-	-	(3,424,455)	(3,424,455)
Balance, March 31, 2021		195,356,077	\$ 15,770,359	\$ 1,251,438	\$ (85,125)	\$ 22,500	\$(16,729,326)	\$ 229,846
Shares issued for services	11b	250,000	22,500	-	-	(22,500)	-	-
Exercise of warrants	11b	2,000,000	160,000	-	-	-	-	160,000
Share-based payments	11c	-	-	198,659	-	-	-	198,659
Subscriptions receivable	11b	-	-	-	45,000	-	-	45,000
Loss for the period		-	-	-	-	-	(738,923)	(738,923)
Balance, June 30, 2021		197,606,077	\$ 15,952,859	\$ 1,450,097	\$ (40,125)	\$ -	\$(17,468,249)	\$ (105,418)

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

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

For the Three-Month Period Ended	June 30, 2021	June 30, 2020
Cash Flows from Operating Activities		
Loss for the period	\$ (738,923)	\$ (246,404)
Items not affecting cash:		
Depreciation	571	516
Share-based payments	198,659	119,119
Accrued interest	-	466
Foreign exchange	(1,190)	(9,411)
Gain on settlement of debt	-	(335,021)
Shares issued for services	-	7,500
Gain on revaluation of derivative liability	(34,280)	1,826
Changes in non-cash working capital items:		
GST receivable	(16,055)	28,770
Due from related party	35,650	-
Prepaid expenses	33,792	-
Inventory	(190,518)	-
Accounts payable and accrued liabilities	303,000	71,744
Net cash used in operating activities	(409,294)	(360,895)
Cash Flows from Financing Activities		
Options exercised	-	25,000
Due to related parties	120,660	289,896
Loans payable	13,985	75,000
Subscription receivable	45,000	-
Net cash provided by financing activities	179,645	389,896
Cash Flows from Investing Activity		
Purchase of equipment	(3,080)	(3,169)
Net cash used in investing activity	(3,080)	(3,169)
Change in cash	(232,729)	25,832
Cash at beginning of period	263,169	38
Cash at end of period	\$ 30,440	\$ 25,870
Interest paid	\$ 3,740	\$ -
Income taxes paid	\$ -	\$ -

Supplemental cash flow information (Note 14)

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

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

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 and an energy drink. The head office and registered and records office for the Company is located at Suite 380 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

These condensed interim consolidated financial statements have been prepared 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.

As at June 30, 2021, the Company had not yet achieved profitable operations, had recurring losses, and had a deficit of \$17,468,249 (March 31, 2021 - \$16,729,326). The Company had a working capital deficiency of \$258,156 (March 31, 2021 - working capital of \$79,617). 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, the outcome of which cannot be predicted at this time. As a development stage company, at June 30, 2021, since its inception and expects to incur further losses in the development of its business. 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. These matters indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated 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.

Covid-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of Covid-19 a global pandemic. The expected impacts on global commerce are far reaching. To date there have been significant stock market fluctuations, and the movement of people and goods has become restricted. The food and retail sectors is expected to be impacted significantly as many local and regional governments have issued public health orders in response to Covid-19, including restricting the movement of people, which could impact the Company's ability to access its areas of operations in the coming year. A continuing period of lower prices could significantly affect the economic potential of many of the Company's business opportunities and may result in the Company ceasing work on, or dropping its interest in, some or all of them. As the Company does not have revenues, the ability to fund ongoing operations is affected by the availability of financing. Due to market uncertainty the Company may be restricted in its ability to raise additional funding.

The impact of these factors on the Company is not yet determinable. However, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of asset impairment and liquidity or going concern uncertainty.

2. BASIS OF PRESENTATION

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and the following subsidiary. All intercompany transactions and balances have been eliminated on consolidation.

	Country of Incorporation	Percentage ownership June 30, 2021	Percentage ownership March 31, 2021
LeanLife Energy Drinks, Inc.	USA	100.0%	100.0%

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Statement of compliance

These condensed interim consolidated financial statements for the three months ended June 30, 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed interim consolidated financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended March 31, 2021.

Basis of presentation

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiary's functional and reporting currency. These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards issued but not yet effective

During the three months ended June 30, 2021, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's condensed interim consolidated financial statements. There are however a number of new standards and amendments to existing standards effective in future periods. The following may impact the reporting and disclosures of the Company:

IAS 16 – Property, plant and equipment – Proceeds before intended use ("IAS 16") has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 37 – Provisions ("IAS 37"), has been amended to clarify the meaning of "costs to fulfil a contract", which comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective for periods beginning on or after January 1, 2022, with early application permitted. The Company is currently assessing the impact of this amendment.

IAS 1 – Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of this amendment.

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 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.

LeanLife Health Inc.
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 condensed interim consolidated financial statements within the next financial year are discussed below:

- The preparation of these condensed interim consolidated 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 condensed interim consolidated financial statements.

- the estimated useful lives and residual value of equipment and the related amortization included in the condensed interim consolidated statement of loss and comprehensive loss;
- certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed within these condensed interim consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses recognized in profit or loss;
- the inputs in accounting for share-based payment transactions in the condensed interim consolidated 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 June 30, 2021, the Company was focused on two business objectives, its plant-based food products (flax seed oils) and energy drink line.

As at June 30, 2021 and March 31, 2021, the only assets related to these segments were inventory (note 6). There were no other assets, liabilities, revenues or expenses related to these segments as at June 30, 2021 and March 31, 2021.

During the year ended March 31, 2021, the Company incorporated a new, wholly owned subsidiary in the United States. During the period ended June 30, 2021, and the year ended March 31, 2021, there were no transactions in the subsidiary and all transactions were incurred in Canada.

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

6. INVENTORY

<u>As at</u>	<u>June 30, 2021</u>	<u>March 31, 2021</u>
Finished goods	\$ 669,564	\$ 177,796

As at June 30, 2021, all of the Company's inventory was considered finished goods. Of the balance held at June 30, 2021, \$647,388 (March 31, 2021 - \$155,620) related to the energy drink line, \$17,824 (March 31, 2021 - \$17,824) related to flax seed oil and \$4,352 (March 31, 2021 - \$4,352) related to hand sanitizer.

The Company made a prepayment for inventory of \$nil during the three months ended June 30, 2021 (March 31, 2021 - \$301,250).

7. EQUIPMENT

	Office equipment	Computer equipment	Total
Cost			
Balance at March 31, 2020	\$ -	\$ 13,333	\$ 13,333
Additions	1,017	147,397	148,414
Balance at March 31, 2021	\$ 1,017	\$ 160,730	\$ 161,747
Additions	-	3,080	3,080
Balance at June 30, 2021	\$ 1,017	\$ 163,810	\$ 164,827
Accumulated depreciation			
Balance at March 31, 2020	\$ -	\$ 9,505	\$ 9,505
Depreciation	102	1,911	2,013
Balance at March 31, 2021	\$ 102	\$ 11,416	\$ 11,518
Depreciation	46	525	571
Balance at June 30, 2021	\$ 148	\$ 11,941	\$ 12,089
Net Book Value			
As at March 31, 2021	\$ 915	\$ 149,314	\$ 150,229
As at June 30, 2021	\$ 869	\$ 151,869	\$ 152,738

During the period ended June 30, 2021, the Company owned a computer server which was included within computer equipment with a cost of \$142,310, which was not yet available for use and therefore no depreciation was taken.

8. DERIVATIVE LIABILITY

In January 2018, the Company entered into an agreement with RD Heritage Group, LLC ("RD Heritage") whereby RD Heritage agreed 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 USD\$35,000 per month. The warrants expired on January 5, 2020. The Company terminated the agreement on July 5, 2018. As of March 31, 2020, the Company had a balance owing of US\$141,728 (\$200,957) 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 for the USD\$141,728 (\$191,546) owed to RD Heritage.

Upon initial recognition of the cashless warrants, a derivative liability of \$57,263 and a gain on settlement of debt of \$134,283 was recorded. The derivative liability was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a warrant life of 5 years, annual volatility of the Company's share price of 168.5% and average annual risk-free interest rates of 0.50%.

As at June 30, 2021, the derivative liability was determined to be \$120,021 (March 31, 2021 - \$154,301) and a gain on revaluation of the derivative liability of \$34,280 (June 30, 2020 - loss of \$1,826) was recorded for the three months ended June 30, 2021.

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars)

8. DERIVATIVE LIABILITY (continued)

The derivative liability was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a warrant life of 3.9 years, annual volatility of the Company's share price of 158.9% and average annual risk-free interest rates of 1.37%.

9. COMMITMENTS

The following table summarizes the contractual maturities as at June 30, 2021 of the Company's significant financial liabilities and capital commitments, including contractual obligations for the March 31st fiscal years indicated:

	2022	2023	2024	2025	2026	Total
Accounts payable and accrued liabilities	\$ 598,692	\$ -	\$ -	\$ -	\$ -	\$ 598,692
Loan Payable	263,985	-	-	-	-	263,985
Advances and amounts owing to related parties	316,421	-	-	-	-	316,421
Consulting agreement obligations	516,036	614,005	328,000	288,000	288,000	2,034,041
	\$ 1,685,134	\$ 614,005	\$ 328,000	\$ 288,000	\$ 288,000	\$3,213,139

Other contingent commitments existing at June 30, 2021 include the following:

- Upon obtaining licensing for the flax oil seed product in Canada as a fortified food, the Company will issue a consultant of the Company a maximum of 250,000 common shares at a prevailing stock price, less any allowable discounts where in the market price per share (lessor of 10-day trading average or ending date) would not exceed \$0.50;
- Upon obtaining licensing for the flax oil seed product in Canada as a natural health product, the Company will issue a consultant of the Company a maximum of 250,000 common shares at a prevailing stock price, less any allowable discounts where in the market price per share (lessor of 10-day trading average or ending date) would not exceed \$0.50;
- The Company has an agreement with the COO of the Company whereby, if the officer were terminated without cause, the Company would be required to pay severance of 18 months of his base fee (\$360,000) plus the average annual bonus paid to the consultant in the last two years (if any); and
- The Company has an agreement with the CEO of the Company whereby, if the officer were terminated without cause, the Company would be required to pay severance of 18 months of his base fee (\$432,000) plus the average annual bonus paid to the consultant in the last two years (if any).

10. LOANS PAYABLE

The Company received a loan of \$50,000 on May 1, 2020, and a loan of \$25,000 on May 7, 2020, repayable within one year bearing interest at a rate of 8% per annum. The loans were secured by all the tangible property of the Company. The parties were arms-length to the Company. During the year ended March 31, 2021, the Company settled \$75,000 of the loan principal and \$1,348 of the accrued interest on July 24, 2020, through the issuance of 1,526,959 common shares with a fair value of \$0.05 per share (Note 11b).

In November 2020, the Company received loans of \$220,000 and in December 2020, the Company received a loan of \$30,000, all of which are repayable on or before November 24, 2021, and bear interest at a rate of 6% per annum. The loans are secured by all the tangible property of the Company. As at June 30, 2021, \$250,000 (March 31, 2021 - \$250,000) remained outstanding.

In June 2021, the Company received an unsecured loan of \$13,985 which is payable upon demand and bear interest at a rate of 5% per annum. As at June 30, 2021, \$13,985 (March 31, 2021 - \$nil) remained outstanding.

As at June 30, 2021 there is interest accrued of \$8,778 (March 31, 2021 - \$5,038) which is included in accounts payable and accrued liabilities.

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

For the three months ended June 30, 2021

During the three months ended June 30, 2021, a consultant was issued a total of 250,000 common shares with a fair value of \$22,500 as a signing bonus. These shares were included as a commitment to issue shares during the year ended March 31, 2021.

During the three months ended June 30, 2021, 2,000,000 warrants were exercised into common shares at an exercise price of \$0.08 per share for a total of \$160,000.

For the year ended March 31, 2021

On December 22, 2020, the Company issued a total of 9,800,000 units in settlement of debt to creditors for a total of \$588,000. Each unit consisted of one common share at \$0.06 and one share purchase warrant enabling the holder to purchase one additional common share at \$0.08 each until November 30, 2022. The fair value of the shares issued was \$1,127,000. Of the common shares issued, 4,800,000 shares were issued to settle debt of \$288,000 with related parties. A loss on debt settlement with arms-length parties of (\$275,000) was recognized in the statement of loss and comprehensive loss, while a loss on contribution to equity of (\$223,421) was recorded for non-arms length parties.

On October 21, 2020, the Company issued 5,000,000 common shares to the finders of the FoodCare distribution agreement. The fair value of the shares on the date of issuance was \$200,000 and was expensed as business development costs. The finders are arms-length and continue to assist the Company.

On August 26, 2020, the Company issued a total of 13,950,000 units to settle debt outstanding to various creditors for a total of \$837,000. Each unit consisted of one common share with a fair value of \$0.06 and one share purchase warrant enabling the holder to purchase one additional common share at \$0.08 each until August 26, 2022. The fair value of the shares issued was \$837,000. Based on the residual value method the warrants had a residual value of \$nil. A gain/loss on debt settlement of \$nil for the year ended March 31, 2021, resulted from this transaction.

On July 24, 2020, the Company issued a total of 1,526,959 common shares to settle loans and accrued interest of \$76,348. The fair value of the shares issued was \$76,348, resulting in a \$nil gain/loss on the transaction (Note 10).

On June 2, 2020, the Company issued a total of 7,832,500 common shares to settle debt outstanding to various creditors for a total of \$391,625. Of the common shares issued, 2,582,500 shares were issued to settle debt of \$129,125 with related parties. A gain on debt settlement with arms length parties of \$105,000 was recognized in the statement of loss and comprehensive loss, while a gain on contribution to equity of \$39,768 was recorded for non-arms length parties.

On April 2, 2020, the Company issued a total of 4,800,000 common shares to settle debt outstanding to various creditors for a total of \$240,000. The fair value of the shares issued was \$144,000, resulting in a \$96,000 gain on the settlement of debt.

During the year ended March 31, 2021, the Company issued a total of 2,000,000 common shares in recognition of service achievements to consultants of the Company. The fair value of the shares issued was \$80,000.

During the year ended March 31, 2021, 5,950,000 stock options were exercised into common shares at \$0.05 per share for a total of \$297,500 of which the Company received \$217,500 in cash and \$80,000 was to settle debts with related parties. The fair value of the stock exercised is \$241,161 based on stock-based compensation calculations was transferred to share capital in relation to the exercises.

During the year ended March 31, 2021, 22,790,000 warrants were exercised into common shares, whereby 2,620,000 warrants were exercised at \$0.08 and 20,170,000 warrants were exercised at \$0.075 for a total of \$1,722,350. At March 31, 2021 a total of \$1,477,225 was received in cash, \$160,000 was to settle debts with arms length parties and \$85,125 as outstanding in subscriptions receivable.

LeanLife Health Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2021 and 2020
(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

(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 CSE's policies. The number of common shares issuable under the plan may not exceed 10% of the issued and outstanding common shares.

The changes in stock options were as follows:

	For the period ended June 30, 2021	Weighted Average Exercise Price	For the year ended March 31, 2021	Weighted Average Exercise Price
Balance, beginning of period	16,050,000	\$ 0.05	8,460,000	\$ 0.07
Activities during the period:				
Granted	3,200,000	0.08	17,190,000	0.05
Reissued	-	-	3,750,000	0.05
Exercised	-	-	(5,950,000)	0.05
Expired	-	-	(1,100,000)	0.18
Cancelled	-	-	(6,300,000)	0.06
Balance, end of period	19,250,000	\$ 0.05	16,050,000	\$ 0.05

During the period ended June 30, 2021, the Company granted a total of 3,200,000 (June 30, 2020 – 4,190,000) stock options. Using the fair value method for share-based payments, a total expense of \$198,659 (June 30, 2020 – \$119,119) was recorded in the consolidated statements of loss and comprehensive loss.

The share-based payments were determined using the Black Scholes Option Pricing Model. During the period ended June 30, 2021, the weighted average inputs were as follows: \$nil dividends are to be paid, expected stock option life of 3 years, annual volatility of the Company's share price of 159.3% and average annual risk-free interest rates of 0.33%. During the period ended June 30, 2020, the weighted average inputs were as follows: \$nil dividends are to be paid, expected stock option life of 5 years, annual volatility of the Company's share price of 182.6% and average annual risk-free interest rates of 0.48%.

The following table summarizes information about stock options outstanding at June 30, 2021.

Exercise price	Number outstanding	Number exercisable	Expiry date
\$ 0.05	5,000,000	5,000,000	November 10, 2023
0.05	400,000	400,000	May 21, 2024
0.08	3,200,000	3,200,000	June 14, 2024
0.05	60,000	60,000	June 25, 2024
0.05	2,590,000	2,590,000	April 7, 2025
0.05	8,000,000	8,000,000	November 16, 2025
	19,250,000	19,250,000	

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11. SHARE CAPITAL (continued)

(d) Warrants

(i) The changes in warrants were as follows:

	For the period ended June 30, 2021	Weighted Average Exercise Price	For the year ended March 31, 2021	Weighted Average Exercise Price
Balance at beginning of period	60,344,600	\$ 0.077	83,319,600	\$ 0.100
Activities during the period:				
Issued	-	-	25,850,000	0.080
Exercised	(2,000,000)	0.080	(22,790,000)	0.076
Expired	-	-	(26,035,000)	0.150
Balance at end of period	58,344,600	\$ 0.077	60,344,600	\$ 0.077

In June 2020, the Company issued 2,100,000 warrants at \$0.075 each, expiring on June 2, 2025 as a settlement of debt of US\$141,728 (C\$191,546) owing to RD Heritage (Note 8). A fair value of the warrants on initial recognition was determined using a Black Scholes Pricing Model with a weighted average expected life of 5 years, a weighted average annual volatility of the Company's share price of 168.5% and average annual risk-free interest rates of 0.50% giving a value of \$57,263.

(ii) The following table summarizes information about warrants outstanding at June 30, 2021:

Number outstanding	Exercise price	Expiry date
6,050,000	\$ 0.075	September 27, 2021
5,674,600	0.075	December 6, 2021
3,520,000	0.075	December 20, 2021
21,870,000	0.075	February 8, 2022
13,330,000	0.080	August 26, 2022
5,800,000	0.080	November 30, 2022
2,100,000	0.075	June 2, 2025
58,344,600		

12. 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 and their spouses. Key management compensation comprises:

During the Three-Month Period ended June 30,	Note	2021		2020	
Management fees	(a)	\$ 72,000	\$	72,000	72,000
Directors' fees	(b)	5,000			-
Consulting fees	(c)	22,500			28,500
Investor relations	(d)	46,500			33,500
Product marketing	(e)	60,000			60,000
Professional fees	(f)	72,000			72,000
Engineering and testing	(g)	-			12,500
Stock based compensation	(h)	-			78,723
		\$ 278,000	\$	357,223	

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- a) Management fees were charged by a CEO and director of the Company.
- b) Directors' fees were charged by the Board of Directors.
- c) Consulting fees were charged by Jie Yi Huang (spouse of CFO).
- d) Investor relations fees were charged as follows: Justyna Jarosz (spouse of CEO) - \$22,500 (June 30, 2020 - \$33,500) and 1016192 BC Ltd, a company controlled by Justyna Jarosz - \$24,000 (June 30, 2020 - \$nil).
- e) Product market fees were charged by the Company's COO.
- f) Professional fees charged by the Company's CFO.
- g) Engineering and testing fees charged by Carl Perez, a key consultant to the Company.
- h) During the three month period ended June 30, 2021, the Company issued nil (June 30, 2020 – 2,490,000) stock options to related parties.

As at June 30, 2021 there were \$316,421 (March 31, 2021 - \$195,761) owing to officers and directors and other related parties. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

As at March 31, 2021, the Company recorded a receivable of \$200,244 relating to an overpayment of 2,958,139 common shares issued to settle debt for investor relations services that exceeded 1% of the issued and outstanding common shares of the Company. The receivable will be settled in cash and does not accrue interest. As at June 30, 2021, the balance outstanding from the receivable is \$164,594.

13. 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.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended June 30, 2021 and 2020, non-cash financing and investing activities included:

- \$301,250 (June 30, 2020 - \$nil) was reclassified from deposit to inventory as title of the inventory was transferred to the Company during the period;
- \$160,000 (June 30, 2020 - \$nil) of accounts payable was reduced from the exercise of warrants;
- \$nil (June 30, 2020 - \$631,625) of debt was settled through the issuance of shares/units; and
- \$nil (June 30, 2020 - \$22,606) was reclassified from reserves to share capital on the exercise of stock options

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments:

Financial instruments recorded at fair value on the condensed interim consolidated 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).

The Company's financial instruments consist of cash, due from related party, accounts payable and accrued liabilities, loans payable, advances and amounts owing to related parties, and derivative liability. Cash is stated at FVTPL and classified within Level 1 of the fair value hierarchy and derivative liability is stated at FVTPL and is classified within Level 2 of the fair value hierarchy. All other financial instruments are carried at amortized cost. The fair values of due from related party, 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.

Risk management:

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. Subscription's receivable is due to a related party and management believes that the credit risk to be minimal as the full balance was collected subsequent to period end.

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 June 30, 2021, the Company had a cash balance of \$30,440 (March 31, 2021 - \$263,169) and current liabilities consisting of accounts payable and accrued liabilities of \$598,692, loans payable of \$263,985 and amounts owing to related parties of \$316,421 for total of \$1,179,098 (March 31, 2021 - \$902,643). Also included in current liabilities is the derivative liability which is settled in variable number of shares. 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. The Company is only subject to interest rate risk on its loans payable (note 10).

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's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as it incurs inventory related expenditures in the USA which are denominated in US dollars. The Company is also exposed to foreign exchange risk arising from cash balances held in US dollars. These are all shown on the condensed interim consolidated statement of loss and comprehensive loss. The Company does not engage in any hedging activities to reduce its foreign currency risk. A 10% variance in the foreign exchange rates would expose the Company to a positive or negative impact on its comprehensive loss of approximately \$50,000.