LeanLife Health Inc.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars - Unaudited)

For the Three and Six Months Ended September 30, 2021 and 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

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

	Note	September 30, 2021	March 31, 2021
		$	$
ASSETS			
Current assets			
Cash		3,879	263,169
GST receivable		144,069	107,158
Inventory	5	683,308	177,796
Prepaids		111,739	86,944
Deposit		-	301,250
Due from related party	10	164,594	200,244
		1,107,589	1,136,561
Equipment	6	152,167	150,229
		1,259,756	**1,286,790**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	823,039	456,882
Loans payable	8	263,985	250,000
Advances and amounts owing to related parties		672,524	195,761
Derivative liability	9	107,976	154,301
		1,867,524	1,056,944
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	10	16,107,859	15,770,359
Reserves	10	1,450,097	1,251,438
Subscriptions receivable		(125)	(85,125)
Commitment to issue shares		-	22,500
Accumulated deficit		(18,165,599)	(16,729,326)
		(607,768)	229,846
		1,259,756	**1,286,790**

Nature and continuance of operations (Note 1)
Commitments (Note 12)
Subsequent events (Note 16)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 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 - Unaudited)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Six months ended September 30, 2021	Six months ended September 30, 2020
		$	$	$	$
Operating expenses					
Advertising and promotion		120,734	-	263,146	-
Consulting fees		-	117,544	11,429	227,453
Depreciation		571	270	1,142	786
Engineering and testing		28,876	68,500	29,182	113,500
Foreign exchange (gain) loss		254	9,411	(936)	-
Interest expense		4,022	992	7,762	992
Investor relations (recovery)		-	(33,500)	46,500	-
Management and directors fees		103,500	96,000	180,500	168,000
Office and general		59,960	38,555	112,053	72,683
Product marketing		231,782	111,023	343,655	208,122
Professional fees		107,902	72,440	192,841	144,280
Share-based compensation		-	-	198,659	119,119
Storage and warehousing		23,008	-	36,585	-
Transfer agent and filing fees		16,906	13,196	30,257	19,095
Travel		8,337	-	11,583	-
Website		3,544	-	18,241	-
		709,396	494,431	1,482,599	1,074,030
Loss before other items		(709,396)	(494,431)	(1,482,599)	(1,074,030)
Other items					
Gain on derivative liability		12,046	1,826	46,326	-
Gain on settlement of debt		-	9,411	-	344,432
		12,046	11,237	46,326	344,432
Net loss and comprehensive loss		**(697,350)**	**(483,194)**	**(1,436,273)**	**(729,598)**
Basic and diluted net loss per share		(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted weighted average number of shares		198,212,670	141,304,801	197,327,115	141,304,801

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 - Unaudited)

	Share Capital				Commitment to Issue		
	Shares	Amount	Reserves	Subscription Receivable	Shares	Deficit	Total
		$	$	$	$	$	$
Balance, March 31, 2020	**121,706,618**	**10,810,025**	**1,045,007**	**-**	**-**	**(13,058,467)**	**(1,203,435)**
Shares issued for debt settlement	26,582,500	1,372,625	39,768	-	-	-	1,412,393
Shares issued for loan settlement	1,526,959	76,348	-	-	-	-	76,348
Exercise of warrants	900,000	67,500	-	-	-	-	67,500
Exercise of stock options	3,000,000	150,000	-	-	-	-	150,000
Fair value of stock options exercised	-	121,615	(121,615)	-	-	-	-
Share-based payments	-	-	119,119	-	-	-	119,119
Loss for the year	-	-	-	-	-	(729,598)	(729,598)
Balance, September 30, 2020	**153,716,077**	**12,598,113**	**1,082,279**	**-**	**-**	**(13,788,065)**	**(107,673)**
Shares issued for debt settlement	9,800,000	970,350	(223,421)	-	-	-	746,929
Shares issued for services	2,000,000	80,000	-	-	22,500	-	102,500
Shares issued for finders' fees	5,000,000	200,000	-	-	-	-	200,000
Exercise of warrants	21,890,000	1,654,850	-	-	-	-	1,654,850
Exercise of stock options	2,950,000	147,500	-	-	-	-	147,500
Fair value of stock options exercised	-	119,546	(119,546)	-	-	-	-
Share-based payments	-	-	512,126	-	-	-	512,126
Subscription receivable	-	-	-	(85,125)	-	-	(85,125)
Loss for the year	-	-	-	-	-	(2,941,261)	(2,941,261)
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	2,550,000	177,500	-	-	(22,500)	-	155,000
Exercise of warrants	2,000,000	160,000	-	-	-	-	160,000
Share-based payments	-	-	198,659	-	-	-	198,659
Subscription receivable	-	-	-	85,000	-	-	85,000
Loss for the year	-	-	-	-	-	(1,436,273)	(1,436,273)
Balance, September 30, 2021	**199,906,077**	**16,107,859**	**1,450,097**	**(125)**	**-**	**(18,171,599)**	**(607,768)**

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 - Unaudited)

	Six months ended September 30, 2021	2020
	$	$
Cash flows used in operating activities		
Loss for the period	(1,436,273)	(729,598)
Items not affecting cash:		
Accrued interest expense	7,712	1,348
Depreciation	1,142	786
Gain on revaluation of derivative liability	(46,325)	-
Gain on settlement of debt	-	(344,432)
Cashless warrants issued for debt	-	57,263
Share-based compensation	198,659	119,119
Shares issued for services	155,000	144,750
	(1,120,085)	(750,764)
Changes in non-cash working capital:		
Amounts receivables	-	10,513
GST receivables	(36,911)	-
Inventory	(204,262)	-
Prepaids	(164,795)	-
Due from related party	35,650	-
Accounts payable and accrued liabilities	658,445	475,573
	(831,958)	(264,678)
Cash flows provided used in investing activities		
Acquisition of equipment	(3,080)	(3,169)
	(3,080)	(3,169)
Cash flows provided by financing activities		
Loan proceeds	13,985	75,000
Due to related parties	476,763	4,669
Shares issued for cash	-	217,500
Subscription receivable	85,000	-
	575,748	297,169
Change in cash during the period	(259,290)	29,322
Cash, beginning of period	263,169	38
Cash, end of period	**3,879**	**29,360**

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these condensed interim consolidated 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's shares trade 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 September 30, 2021, the Company had not yet achieved profitable operations, had recurring losses, had a deficit of $18,165,599, and had a working capital deficiency of $759,935. 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, the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these condensed interim consolidated financial statements.

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Condensed Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. Therefore, it is recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended March 31, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its following subsidiary.

		Percentage owned as at	
	Country of Incorporation	September 30, 2021	March 31, 2021
LeanLife Energy Drinks, Inc. ("LeanLife USA")	USA	100.0%	100.0%

All intercompany accounts and transactions have been eliminated upon consolidation.

New accounting standards issued but not yet effective

During the six months ended September 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.

3. 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.

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.

- **Covid-19 Pandemic -** In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company’s operations have not been drastically impacted by the pandemic, however, management of the Company continues to monitor the situation and is following the protocols and rules set in place by the provincial, state, and federal governments.

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 property, plant and 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;

(Expressed in Canadian Dollars - Unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty:(continued)

- 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.

4. 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 September 30, 2021, the Company had three business objectives: plant-based food products (flax seed oils), energy drinks, and hand sanitizer; of which the Company was mainly focusing on its plant-based food products and its energy drink line.

As at September 30, 2021 and March 31, 2021, the only assets related to these segments were inventory (Note 5). There were no other assets, liabilities, revenues or expenses related to these segments as at September 30, 2021 and March 31, 2021.

5. INVENTORY

	September 30, 2021	**March 31, 2021**
	$	**$**
Finished goods.	683,308	177,796

As at September 30, 2021, all of the Company’s inventory was considered finished goods, which consisted of $661,132 (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 six months ended September 30, 2021 (March 31, 2021 - $301,250).

(Expressed in Canadian Dollars - Unaudited)

6. EQUIPMENT

	Office Equipment	Computer Equipment	Total
	$	$	$
Cost:			
At March 31, 2020	-	13,333	13,333
Additions	1,017	147,397	148,414
At March 31, 2021	1,017	160,730	161,747
Additions	-	3,080	3,080
At September 30, 2021	1,017	163,810	164,827
Depreciation:			
At March 31, 2020	-	9,505	9,505
Additions	102	1,911	2,013
At March 31, 2021	102	11,416	11,518
Additions	92	1,050	1,142
At September 30, 2021	194	12,466	12,660
Net book value:			
At March 31, 2021	915	149,314	150,229
At September 30, 2021	**823**	**151,344**	**152,167**

During the six months ended September 30, 2021, the Company owned a computer server which was included within Computer Equipment with a cost of $145,390, which was not available for use and therefore no depreciation was taken.

7. ACCOUNTS PAYABLE

	September 30, 2021	March 31, 2021
	$	$
Accounts payable	788,709	373,211
Accrued liabilities	13,500	70,553
Accrued interest payable	12,750	5,038
Payroll taxes payable	8,080	8,080
	823,039	**456,882**

8. 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 10).

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. On the date of maturity, the lender may elect to either:

a) Demand repayment in full of the principal amount and all accrued and unpaid interest; or
b) Extend the maturity date, with interest accruing thereafter at a rate of 12%.

In June 2021, the Company received an unsecured loan of $13,985 which is payable upon demand and bears interest at a rate of 5% per annum.

As at September 30, 2021, accrued interest of $12,750 (March 31, 2021 - $5,038) is included in accounts payable and accrued liabilities relating to these loans.

9. DERIVATIVE LIABILITY

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 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 September 30, 2021, the derivative liability was determined to be $107,976 (March 31, 2021 - $154,301) resulting in a gain on revaluation of the derivative liability of $45,326 (September 30, 2020 - $nil) being recorded for the six months ended September 30, 2021. The derivative liability was determined using the Black Scholes Option Pricing Model assuming no dividends are to be paid, with a warrant life of 3.7 years, annual volatility of the Company's share price of 157.8%, and an average annual risk-free interest rate of 0.98%.

10. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited common shares with no par value.

Issued and outstanding common shares

During the six months ended September 30, 2021, the Company had the following share capital transactions:

a) On September 7, 2021, the Company issued 300,000 common shares valued at $15,000 to a consultant as a signing bonus for financial advisory services to be provided to the Company.

b) On September 7, 2021 the Company issued 2,000,000 common shares valued at $140,000 to a consultant for advertising services provided to the Company.

c) On May 20, 2021, the Company issued 250,000 common shares valued of $22,500 to a consultant as a signing bonus. These shares were included as a Commitment to issue shares during the year ended March 31, 2021.

d) During the six months ended September 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.

During the year ended March 31, 2021, the Company had the following share capital transactions:

a) 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.

b) 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.

c) 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.

d) 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 8).

10. SHARE CAPITAL (continued)

Issued and outstanding common shares (continued)

e) 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.

f) 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.

g) 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.

h) 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 partied. 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.

i) 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.

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.

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

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL (continued)

Stock options (continued)

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the stock options granted:

	September 30, 2021	March 31, 2021
Risk-free interest rate	0.33%	0.31%
Dividend yield	Nil	Nil
Expected life	3.0 years	4.4 years
Volatility	159.3%	178.1%
Weighted average fair value per option	$0.04	$0.03

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise
		$	$
Balance, March 31, 2020	8,460,000	0.07	-
Granted	17,190,000	0.05	-
Reissued	3,750,000	0.05	-
Exercised	(5,950,000)	0.05	0.05
Expired	(1,100,000)	0.18	-
Cancelled	(6,300,000)	0.06	-
Balance, March 31, 2021	**16,050,000**	**0.05**	**-**
Granted	3,200,000	0.08	-
Balance, September 30, 2021	**19,250,000**	**0.05**	**-**

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL (continued)

Stock options (continued)

As at September 30, 2021, the Company had the following outstanding share options:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
5,000,000	5,000,000	0.05	November 10, 2023
400,000	400,000	0.05	May 21, 2024
3,200,000	3,200,000	0.08	June 14, 2024
60,000	60,000	0.05	June 25, 2024
2,590,000	2,590,000	0.05	April 7, 2025
8,000,000	8,000,000	0.05	November 16, 2025
19,250,000	**19,250,000**		

The weighted average life of the share options outstanding at September 30, 2021 was 3.26 years.

Warrants

During the year ended March 31, 2021, the Company had the following transactions:

- 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 9). 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. This was initially recorded during the three months ended June 30, 2020 to equity reserves but was adjusted to derivative liability during the year ended March 31, 2021.
- the Company extended the expiry dates for the following warrants:
  - 6,050,000 warrants with an expiry date of September 27, 2021 were extended to November 30, 2022;
  - 5,674,600 warrants with an expiry date of December 6, 2021 were extended to November 30, 2022; and
  - 3,520,000 warrants with an expiry date of December 20, 2021 were extended to November 30, 2022.

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL (continued)

Warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, March 31, 2020	65,705,000	0.100
Issued	25,850,000	0.080
Exercised	(22,790,000)	0.076
Expired	(26,035,000)	0.150
Balance, March 31, 2021	**60,344,600**	**0.077**
Exercised	(2,000,000)	0.080
Balance, September 30, 2021	**58,344,600**	**0.077**

As at September 30, 2021, the Company had the following outstanding warrants:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
21,870,000	0.075	February 8, 2022
13,330,000	0.080	August 26, 2022
15,244,600	0.075	November 30, 2022
5,800,000	0.080	November 30, 2022
2,100,000	0.075	June 2, 2025
58,344,600		

The weighted average life of warrants outstanding at September 30, 2021 was 0.78 years.

11. 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.

- On June 1, 2020, the Company signed a three year term agreement with the COO of the Company which requires monthly payments of $20,000. Included in the agreement is the provision 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).

- The Company has an agreement with the former CEO of the Company which requires monthly payments of $24,000. In September 2021, the CEO resigned.

(Expressed in Canadian Dollars - Unaudited)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Summary of key management personnel compensation:

	For the six months ended September 30, 2021	2020
	$	**$**
Consulting fees	11,429	-
Engineering and testing	-	20,000
Investor relations	46,500	52,500
Management and director fees	180,500	168,000
Office and general	60,000	9,000
Professional fees	144,000	144,000
Product marketing	150,000	222,000
Share-based compensation	-	70,790
	592,429	**686,290**

As at September 30, 2021 there was $672,524 (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 September 30, 2021, the balance outstanding from the receivable is $164,594.

12. COMMITMENTS

The following summarizes the contingent commitments existing at September 30, 2021, not disclosed elsewhere:

- Upon obtaining licensing 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 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.

- Upon consummation of any agreement or agreement between the Company and significant party for the promotion of the Company's products, the Company will issue a consultant of the Company a maximum of 5% of the total common shares issued in securing this agreement with the significant party, 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 $0.25 USD.

12. COMMITMENTS (continued)

- Upon achieving US$10,000,000 in product sales by December 31, 2021, the Company will issue a consultant of the Company a maximum of 2,000,000 common shares based on a 5% commission rate, 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 US$0.25. If the consultant achieves an additional US$10,000,000 in product sales, the Company will issue a consultant of the Company an additional maximum of 2,000,000 common shares based on a 5% commission rate, 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 US$0.25.

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 their business objectives. 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, GST receivable, due from related party, accounts payable, 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 the 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 GST receivable, due from related party, accounts payable, loans payable, and advances and amounts owing to related parties approximate their carrying values due to the short- term nature of these instruments.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk was primarily attributable to its cash and GST receivable balances. 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. The Company's GST receivable is due from the Government of Canada; therefore, the credit risk exposure is low.

b) Liquidity risk

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 September 30, 2021, the Company had a cash balance of $3,879 to cover current financial liabilities of $1,759,548 consisting of accounts payable and accrued liabilities of $823,039, loans payable of $263,985, and amounts owing to related parties of $672,524. 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's short-term and long-term cash requirements.

c) Interest risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The loans payable bears interest at fixed rates between 5.0% and 6.0% per annum. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Currency risk

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 United States dollars. The Company is also exposed to foreign exchange risk arising from cash balances held in United States dollars. The Company does not engage in any hedging activities to reduce its foreign currency risk. The majority of the cash is held in Canadian dollars. There would be a nominal impact on the Company's net loss should there be a significant change in the Canadian dollar exchange rate compared to with the United States dollars.

(Expressed in Canadian Dollars - Unaudited)

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	For the six months ended September 30,	
	2021	**2020**
	$	**$**
Supplemental non-cash disclosures		
Warrants exercised and proceeds offset against accounts payable	160,000	-
Reallocation of deposit to inventory	301,250	-

16. SUBSEQUENT EVENTS

In October 2021, the Company issued 7,000,000 common shares at a price of $0.05 per share for a total of $350,000 for the exercise of stock options, which the proceeds were offset against accounts payable balances.

In October 2021, the Company issued 200,000 common shares at a price of $0.075 per share for a total of $15,000 for the exercise of warrants, which the proceeds were offset against accounts payable balances.