True Leaf Brands Inc.
Consolidated Financial Statements
For the Year ended March 31, 2020 and 2019
(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of
True Leaf Brands Inc.

Opinion

We have audited the accompanying consolidated financial statements of True Leaf Brands Inc. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit 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 Consolidated 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 consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $16,195,841 during the year ended March 31, 2020 and, as of that date, the Company has an accumulated deficit of $30,666,861. In addition, the Company has sought creditor protection by filing a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada). 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 Matters

The consolidated financial statements of True Leaf Brands Inc. for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on July 29, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Company to express an opinion on the consolidated 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 Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada | Chartered Professional Accountants

December 2, 2020

TRUE LEAF BRANDS INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes		March 31, 2020		March 31, 2019
Assets					
Current					
Cash and cash equivalents		$	302,225	$	4,391,072
Short-term investments	16		51,750		57,500
Trade and other receivables	6		400,808		632,223
Inventories	7		89,415		332,088
Prepaid expenses and deposits	8		318,797		417,243
Assets held for sale	5		53,615		-
			1,216,610		5,830,126
Property, plant and equipment	5, 9		4,482,436		11,111,281
Intangible assets	5, 10		55,053		155,508
Other assets	11		-		250,000
Total assets		$	5,754,099	$	17,346,915
Liabilities					
Current					
Accounts payable and accrued liabilities		$	1,973,177	$	1,635,337
Construction holdback payable			-		24,492
Current portion convertible note payable	11		5,859,467		2,000,000
Total current liabilities			7,832,644		3,659,829
Convertible note payable	11		-		1,808,056
Total liabilities			7,832,644		5,467,885
Shareholders' equity (deficiency)					
Share capital	13		23,962,363		22,689,173
Reserves			4,625,953		3,660,877
Deficit			(30,666,861)		(14,471,020)
Total shareholders' equity (deficiency)			(2,078,545)		11,879,030
Total liabilities and shareholders' equity (deficiency)		$	5,754,099	$	17,346,915

Nature of operations and going concern (Note 1)

Subsequent events (Note 21)

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

Approved on behalf of the Board of Directors on December 3, 2020

"Darcy Bomford" Director *"Michael Harcourt"* Director

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

TRUE LEAF BRANDS INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes		For the Years Ended March 31, 2020		2019
Operating Expenditures					
Accretion expense	11	$	1,854,522	$	126,050
Administrative and office	14		3,058,310		2,099,690
Amortization and depreciation	9, 10		101,510		-
Research and development			363		29,091
Selling and marketing	15		567,216		780,249
Share-based compensation	13		1,022,998		998,387
Total operating expenditures			6,604,919		4,033,467
Loss from operations			6,604,919		4,033,467
Other income			70,896		84,096
Asset Impairment	5		(6,583,154)		-
Foreign exchange gain (loss)			(17,633)		173,263
Net loss from continued operations			**(13,134,810)**		**(3,776,108)**
Loss from discontinued operations	5		(3,061,031)		(1,733,040)
Loss for the year		$	(16,195,841)	$	(5,509,148)
Weighted average number of common shares outstanding – basic and dilluted			102,370,431		97,954,521
Loss per common share, discontinued operations - basic and dilluted			($0.03)		($0.02)
Loss per common share – basic and dilluted			($0.13)		($0.04)

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

TRUE LEAF BRANDS INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity (Deficit)
Balance, March 31, 2018	95,369,059	$ 21,693,918	$ 2,518,723	$ (8,961,872)	$ 15,250,769
Shares issued on exercise of stock options	857,145	240,001	(81,429)	-	158,572
Shares issued on exercise of warrants	1,128,317	420,254	-	-	420,254
Shares issued to executive and consultants	600,000	335,000	-	-	335,000
Fair value of warrants issued and equity component of convertible debt	-	-	560,196	-	560,196
Share-based compensation	-	-	663,387	-	663,387
Loss for the year	-	-	-	(5,509,148)	(5,509,148)
Balance, March 31, 2019	**97,954,521**	**$ 22,689,173**	**$ 3,660,877**	**$ (14,471,020)**	**$ 11,879,030**
Shares issued on exercise of stock options	700,000	444,500	(168,000)	-	276,500
Shares issued on exercise of warrants	1,507,578	521,190		-	521,190
Shares issued to executive	916,666	152,500	-	-	152,500
Share-based compensation			870,498	-	870,498
Shares issued upon conversion of convertible note	833,333	100,000	-	-	100,000
Shares issued to settle debt	458,333	55,000	-	-	55,000
Fair value of warrants issued and equity component of convertible debt	-	-	262,578	-	262,578
Loss for the year	-	-	-	(16,195,841)	(16,195,841)
Balance, March 31, 2020	**102,370,431**	**$ 23,962,363**	**$ 4,625,953**	**$ (30,666,861)**	**$ (2,078,545)**

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

TRUE LEAF BRANDS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended March 31, 2020	2019
Operating activities		
Loss for the year from continuing operations	$ (13,134,810)	$ (3,776,108)
Items not affecting cash:		
Accretion expense	1,854,522	126,050
Non cash interest expense	19,467	-
Amortization and depreciation	101,510	-
Asset impairment	6,583,154	-
Gain on disposal of asset	(881)	-
Share-based compensation	1,022,998	998,387
Transactions cost of loan extension	540,000	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	69,327	(253,489)
Accounts payable and accrued liabilities	380,620	140,231
Due to related parties	(1,342,420)	(1,908,056)
Trade and other receivables	255,698	(251,729)
Net cash used in operating activities	(3,650,815)	(4,924,714)
Investing activities		
Additions to property, plant and equipment	(873,563)	(6,337,490)
Intangible asset costs	(44,681)	(83,568)
Net cash used in investing activities	(918,244)	(6,421,058)
Financing activities		
Proceeds from exercise of options	276,500	158,572
Proceeds from issuance of convertible debenture, net of issue costs	-	4,242,202
Proceeds from exercise of warrants	521,190	420,254
Restricted cash classified as non-curreent asset	255,750	(307,500)
Net cash provided by financing activities	1,053,440	4,513,528
Change in cash and cash equivalents - continued operations	(3,515,619)	(6,832,244)
Change in cash - discontinued operations (note 5)	(573,228)	410,501
Cash and cash equivalents, beginning of the year (including discontinued operations)	4,391,072	10,812,815
Cash and cash equivalents, end of the year*	$ 302,225	$ 4,391,072

March 31, 2020 and 2019 includes cash of discontinued operations

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

1. NATURE OF OPERATIONS AND GOING CONCERN

True Leaf Brands Inc. (formerly True Leaf Medicine International Ltd.) (the "Company" or "TLB") was incorporated under the Business Corporations Act of the Province of British Columbia on June 9, 2014 and is the legal parent of True Leaf Investments Corp. ("TLI"), True Leaf Cannabis Inc. ("TLC"), True Leaf Pet Inc. ("TLP") and True Leaf Pet Europe LLC Sàrl ("TLPE").

On May 21, 2019 the Company changed the name of True Leaf Medicine International Ltd. to True Leaf Brands Inc., and changed the name of its subsidiary, True Leaf Medicine Inc., to True Leaf Cannabis Inc. The legal and organizational structure was not altered as part of these name changes.

The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the symbol "MJ", the OTC Market Group's OTCQX International Market under the ticker symbol "TRLFF" and the Frankfurt Stock Exchange under the symbol "TLA". The Company's head office and registered office is located at 1055 West Hastings Street, Suite 1700, Vancouver BC, V6E 2E9.

The Company manufactures and distributes hemp-based nutrition for pets. TLP and TLPE have entered the Canadian, US and European natural pet product market with a product line consisting of hemp functional chews and supplemental products for pets.

The Company has received approval to become a licensed producer of medicinal cannabis for the Canadian market under the new Cannabis Act and has secured three licenses from Health Canada to cultivate, process and sell medical cannabis.

Going Concern

These consolidated financial statements (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

For the year ended March 31, 2020, the Company incurred a loss of $16,195,841 and has a deficit of $30,666,861. The Company earned revenues of $2,286,947 (2019 - $2,311,036) from TLP and TLPE, however, these two subsidiaries have not yet achieved profitability. Subsequent to the year ended March 31, 2020, the Company sought creditor protection by filing a Notice of Intention ("NOI") to make a proposal under the Bankruptcy and Insolvency Act (Canada) ("the BIA process") and the two subsidiaries containing net assets, TLP and TLC, were actively marketed for sale to settle the debts of the company. As a result, the assets and liabilities associated with TLP and TLPE were classified as held for sale and their operations classified as discontinued operations (Note 5). Thereafter, the only remaining operations of the Company is through TLI and TLC.

True Leaf received a "Notice of Event of Default, Investigation of Event of Default and Reservation of Rights" letter (the "Default Notice") from Lind Asset Management XV, LLC ("Lind") under the Company's convertible security funding agreement dated February 12, 2019, and under the waiver, amendment and funding supplement agreement dated October 7, 2019. The Company then commenced restructuring proceedings and it sought creditor protection by filing a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act (Canada) (the "NOI Proceeding").

As part of the sales process approved by Order of the British Columbia Supreme Court made on May 13, 2020, TLP entered into a purchase and sale agreement dated August 11, 2020, with 4033001 and Hemp Technology Inc. for the sale of substantially all of the assets of TLP. The stay of proceedings in each of the restructuring proceedings of the Company and its subsidiaries expired on October 2, 2020. Prior to the expiry of the stay, TLB, TLC and TLI each filed a proposal to their respective creditors with the Office of Superintendent in Bankruptcy. TLB's proposal was filed on October 1, 2020, TLC's proposal was filed on September 23, 2020 and TLI's proposal was filed on October 2, 2020. Each proposal was based on a refinancing arrangement to resolve the Lind Asset Management Debt ("Lind Debt") and refinance the Company.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

Going Concern (Continued)

The company is currently in default of the terms of its Convertible Security Funding Agreement with a face value of $5,400,000 and its Deferral Convertible Security with a face value of $540,000. The Company will need to refinance/restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. There is no assurance that the Company's financing initiatives, which include the Company's ability to restructure the notes under the BIA process will be successful or sufficient.

The cannabis industry is young and developing. Regulations are frequently changing as Health Canada adjusts to the evolving processes and operations. This fact, along with the factors discussed in the preceding paragraphs results in a material uncertainty that casts significant doubt as to the Company's ability to continue to operate as a going concern. The recoverability of the carrying value of property, plant and equipment is dependent upon the success of the operating and financing activities and the future cannabis price. Changes in future conditions could require material write-downs of the carrying value of property, plant and equipment. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used, and such adjustments could be material. The Company has been exploring and will continue to consider all of its options to maintain and raise capital when and as needed, including selling assets and/or issuing debt and/or equity securities subject to prevailing market conditions.

The purpose of the BIA process discussed below is to facilitate the continuation of the business as a going concern, address certain liabilities of the Company, and effect a recapitalization and financing transaction on an expedited basis to provide a stronger financial foundation for the Company going forward. The BIA process will also provide additional liquidity to allow the Company to continue to work towards its operational and financial goals from and after its implementation, in the expectation that all persons with an economic interest in the Company will derive a greater benefit from the implementation of the proposals than would otherwise result.

Refinancing Agreement

Following creditor approval and Court approval in early November 2020 of the BIA Proposals filed by TLC and TLI, the transactions contemplated by the Refinancing Agreement were completed on November 16, 2020. The proposals are sponsored by two financing groups, Cangaurd Mortgage Investment Corporation (“Cangaurd”) and 1263815 BC Ltd. (“Second Mortgage Co.”).

The material terms of the Refinancing Agreement transaction are as follows:

- Canguard loaned $3,000,000 to TLC (the “Canguard Loan”) secured by a first mortgage on the Lumby Property and a first priority security interest in all of TLC’s present and after-acquired personal property.
- Second Mortgage Co. loaned $1,700,000 to TLC (the “Second Mortgage Co. Loan”) secured by a second mortgage on the Lumby Property and a second priority security interest in all of TLC’s present and after-acquired personal property.
- TLC used all of the proceeds of the Canguard Loan and $1,150,000 of the proceeds of the Second Mortgage Co. Loan, being an aggregate of $4,150,000, to pay down the Lind Debt through the purchase of The Australian Special Opportunity Fund, LP (“ASOF”) a subsidiary of Lind that holds the notes.
- Acquire Co #1 purchased:
    - from TLI, all of the issued and outstanding shares of TLC; and
    - from TLB all of the issued and outstanding shares of TLI;
- in each case, for a purchase price of $1. Simultaneously, TLI exercised an option to re-purchase from Acquire Co #1 all of the issued and outstanding shares of TLC for $1.
- Acquire Co #2 purchased from ASOF all of the issued and outstanding shares of Lind for a purchase price of $1.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

TLB Share Capital Reorganization

The substance of the TLB's Share Capital Reorganization involves two basic elements:

1. A consolidation of the issued and outstanding TLB common shares (the "Consolidation"); and
2. The re-acquisition by TLB from Acquire Co #1 of all of the issued shares of TLI and its subsidiary TLC, the owner of the Lumby Property and the holder of the Licence, and the acquisition by TLB from Acquire Co #2 of all of the issued shares of Lind (holder of the residue of the Lind Debt), all in exchange for a sufficient number of newly issued TLB common shares to give the New Investor Group approximately 58% of the then issued and outstanding common shares of TLB (collectively, the "Vend-in").

The following steps will be executed on the closing of December 6, 2020:

- TLB will, by way of a consent resolution of the directors of TLB, effect the Consolidation, which consists of an alteration of its articles of incorporation in accordance with the BCBCA to consolidate its issued and unissued share capital on the basis of ten old TLB shares for one new TLB share;
- in order to implement the Vend-in, a newly-created single purpose subsidiary of TLB will amalgamate with Acquire Co #1 and Acquire Co #2 to form a new company ("Amalco") in what is referred to as a three-cornered amalgamation in which:
    - the former shareholders of Acquire Co #1 and Acquire Co #2 receive shares of TLB and thereby become shareholders of TLB;
    - TLB will receive all of the issued and outstanding shares of Amalco; and
- immediately thereafter, Amalco will be vertically amalgamated into TLB, thereby eliminating Amalco as a subsidiary and creating a direct parent/subsidiary relationship between TLB and TLI. As a result, the former shareholders of Acquire Co #1 and Acquire Co #2 (i.e. the New Investor Group) become, collectively, the majority shareholders of TLB and the corporate structure of the True Leaf group of companies, as it existed prior to November 16, 2020, is restored.

Corona Virus (COVID-19)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

COVID-19 may impact the company's ability to start up cannabis growing, retail and medicinal on-line sales as a result of disruptions to supply chains, travel and trade restrictions and impact on local economic activity in affected regions. Such pandemics also represent a threat to maintaining a skilled workforce. There can be no assurance that the Company's personnel will not be impacted by this pandemic.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance 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"). These consolidated financial statements were approved by the Company's Board of Directors on December 1, 2020.

(b) Principles of consolidation

These financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- TLI – Inactive
- TLC – Active
- TLP – Held for Sale
- TLPE – Held for Sale

All intercompany transactions and balances have been eliminated on consolidation.

(c) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value (Note 16) and fair value less cost to sell (Note 5). The accounting policies set out below have been applied consistently to all periods presented in these financial statements with the exception of the change in accounting policies noted below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of each of the entities in the group is the Canadian dollar, except for TLPE which has the Euorpean Euro as its functional currency. The functional currency determinations were conducted through an analysis of the factors identified in International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

The presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statement of loss and comprehensive loss. Exchange gains and losses arising on translation of the foreign operations of TLPE are included in the consolidated statement of loss and comprehensive loss.

(b) Financial instruments

Financial assets and liabilities are recognized when the Company or its subsidiaries become party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of transaction costs, except for financial assets and liabilities classified as at fair value through profit and loss ("FVTPL"). The directly attributable transaction costs related with financial assets and liabilities recorded at FVTPL are expensed in the period they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities. The classification of financial assets is generally based on its contractual cash flow characteristics and the business model in which it is managed.

(i) Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows, and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest are classified and measured subsequently at amortized cost.

(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets that are held within a business model whose objective is achieved by collecting the contractual cash flows and selling financial assets, and the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest are classified and measured at FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation of FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at FVTOCI and the cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to deficit.

(iii) Financial assets at fair value through profit or loss

All other financial assets are measured at FVTPL. These assets are measured at fair value at the end of each reporting period, with any gain or loss recognized in earnings.

(iv) Impairment and Write-off

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of the expected credit loss is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(iv) Impairment and Write-off (Continued)

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after reducing all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

(vi) Compound instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to deficit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

(vii) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(viii) Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

(ix) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as FVTPL, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

(x) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

(xi) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(xii) Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(xiii) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are financial liabilities are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at FVTPL. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and/or with original maturities of three months or less. The Company has a cash and cash equivalent balance at March 31, 2020 of $302,225 (2019: $4,391,072) and $51,750 of short-term investments (2019: $57,500). Investments with maturities of one-year or less, but greater than 90 days, are classified as short-term investments. These investments are redeemable at any-time without penalty.

(d) Inventories

Inventories include finished goods and supplies in respect of hemp-based nutrition for pets. The classification of inventories is determined by the stage in the manufacturing process. Finished goods inventories are valued based on the lower of actual production costs incurred or estimated net realizable value. Production costs include all direct manufacturing costs, freight,

labour and other costs to deliver inventory to our distribution locations. Cost is determined using the weighted average cost basis. Supplies are valued at the lower of average cost or net realizable value. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances that caused it no longer exist.

(e) Assets held for sale and discontinued operations

(i) Assets held for sale:

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset or disposal groups as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the Consolidated Statement of Financial Position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Assets held for sale and discontinued operations (Continued)

(ii) Discontinued operations:

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it represents the comparative Consolidated Statements of Comprehensive Loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operations and any gain or loss from disposal from the consolidated statements of operations from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operation. Per share information and changes to discontinued operations in other consolidated comprehensive loss related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the Consolidated Statements of Cash Flows.

(f) Property, Plant and Equipment

Capital assets are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following rates:

Building – 10 to 40 years
Leasehold improvements – 5 years
Office furniture and equipment – 5 years

The Company's capital assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that 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 had been recognized.

(g) Intangible assets

The Company owns intangible assets consisting of various direct costs associated with the acquisition of trademarks and intellectual property, as well as website costs. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. The Company does not hold any intangible assets with indefinite lives.

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

Trademarks and related costs – 5 to 10 years
Website costs – 3 years
Intellectual property – 5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that 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 or amortization, if no impairment loss had been recognized.

(i) Provisions

Provisions are recorded when a present legal, statutory 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 the 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, if the effect is material, its carrying amount is the present value of those cash flows.

(j) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their estimated fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Share-based payments

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as reserves are transferred to share capital.

(l) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares, calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted EPS assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, the calculation proved to be anti-dilutive as the Company was in a loss position.

(m) Revenue recognition and related costs

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Revenue from the sale of goods, as presented in the consolidated statement of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts, and allowances for customer returns. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer. Indicators of a transfer of control include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to the customer.

(n) Cost of sales

Cost of sales includes inventory, product-related costs and costs to ship products to customers.

(o) Selling and marketing

Selling and marketing expenses include costs attributable to the sale of pet products and include salaries, fees and commissions for the related staff. Marketing expenses also include costs associated with the True Leaf corporate brand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred 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 tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

(q) Segmented information

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segment results are reviewed regularly by the Company's President and Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess performance, for which discrete financial information is available.

(r) Adoption of New IFRS Pronouncements

The Company adopted the new IFRS pronouncements listed below as at April 1, 2019, in accordance with the transitional provisions outlined in the respective standards described below.

IFRS 16 – Leases

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 has reviewed the impact that adoption of the new standard had on the Company's consolidated financial statements and found no significant impact.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 future periods if the revision affects both current and future periods. These estimates are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. USE OF ESTIMATES AND JUDGMENTS (Continued)

(a) Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

- Share-based payments and compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payment transactions and the resulting share-based compensation expense is based on a variety of assumptions, including the expected life, risk-free interest rates, volatility, and forfeiture rates.

- Amortization rates for intangible assets

Amortization expenses are calculated based on assumed intangible asset lives. Should the intangible asset life or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of loss and comprehensive loss.

- Valuation of convertible note

At the issue date of the convertible note, the fair value of the liability component was estimated using the prevailing market interest rates for similar non-convertible instruments for the Company. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion, buyback, or on the instrument's maturity date.

(b) Critical judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

- Functional currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- Going concern

In order to assess whether it is appropriate for the Company to be reported as a going concern, the Directors apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Company's principal risks and uncertainties. In arriving at this judgement there are a large number of assumptions and estimates involved in calculating these future cash flow projections. This includes management's expectations of revenue, EBITDA, timing and quantum of future capital expenditure and estimates and cost of future funding. The Company is in the process of exiting the BIA process however there is still a risk that the company will fall into bankruptcy if the proposals and refinancing arrangements do not close. Directors and management have assessed that risk and determined that it is more likely than not that the refinancing arrangements will complete as planned.

- Valuation of assets held for sale and property, plant and equipment

As disclosed in Note 1, the Company has received offers for each of its CGU's and values of long term assets have been impaired to reflect the ultimate consideration for the net assets of each CGU.

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS & ASSETS HELD FOR SALE

On March 18, 2020, TLB entered into an agreement with FTI Consulting in anticipation of progressing to creditor protection under the BIA process.

Subsequent to the year ended March 31, 2020, TLB and its subsidiaries entered into creditor protection under the BIA Process. As part of the restructuring and to settle the payables and secured debt of the company, an asset sale process was started again for TLP & TLC, the two companies that held assets.

IFRS 5 outlines the requirements for presentation of assets held for sale and the presentation and disclosure of discontinued operations. It requires that "An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use." "An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell."

Management determined that the Company has two groups of assets. The TLP assets are one cash-generating unit and include the shares of TLPE, accounts receivable, prepaid expenses, inventory as well as tangible and intangible property, plant and equipment. TLC's assets consist of land, building, equipment and intangible assets.

On August 11, 2020, a sale agreement for substantially all of the assets of TLP for the sum of $300,000 was entered into with 4033001 and its parent company, Hemp Technology Inc., both Wyoming Corporations. This triggered an impairment test as of March 31, 2020 of the assets of TLP with valuations based on the net consideration ultimately received.

On September 11, 2020, a Binding Term Sheet was entered into to refinance TLB, TLC and TLI, and buy the debt held by Lind Asset Management. This triggered an impairment test as of March 31, 2020 of the assets of TLC. The value of the sale and loan agreement is $4,700,000.

The following is a continuity of asset values taking into account their related impairments:

	Carrying Value	Impairment	Value after impairment	Continued Operations	Held for Sale
Inventory	$ 513,006	$ 393,432	$ 119,574	$ 89,415	$ 30,159
Prepaid expenses	321,745	-	321,745	318,797	2,948
Land	3,380,387	2,579,195	801,192	801,192	-
Building	7,483,731	3,901,900	3,581,831	3,581,831	-
Equipment	289,702	190,289	99,413	99,413	-
Intangible assets	153,638	78,077	75,561	55,053	20,508
	$ 12,142,209	**$ 7,142,893**	**$ 4,999,316**	**$ 4,945,701**	**$ 53,615**

The following assets have been classified as held for sale as of March 31, 2020:

	TLP	**TLPE**	**Total**
Inventory	$ 30,159	$ -	$ 30,159
Prepaid expenses	-	2,948	2,948
Intangible assets	-	20,508	20,508
	$ 30,159	**$ 23,456**	**$ 53,615**

There are no liabilities directly associated with the assets held for sale as at March 31, 2020.

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS & ASSETS HELD FOR SALE (Continued)

The total breakdown of cash flows from discontinued operations are as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
Net cash used in operating activities	$ (547,167)	$ 564,436
Net cash used in investing activities	(32,061)	(153,935)
Change in cash during the year	$ (579,228)	$ 410,501

For the year ended March 31, 2020, income arising from discontinued operations include the operating income of TLP and TLPE as follows:

	TLP	TLPE	Total March 31, 2020	March 31, 2019
Sales	$ 1,851,356	$ 435,591	$ 2,286,947	$ 2,311,036
Cost of sales	972,859	288,014	1,260,873	1,252,265
Gross Profit	878,497	147,577	1,026,074	1,058,771
Operating Expenditures				
Administrative and office	1,493,457	396,215	1,889,672	1,132,466
Amortization and depreciation	82,950	17,123	100,073	124,153
Inventory write-down	369,926	2,057	371,983	41,288
Research and development	24,971	-	24,971	110,096
Selling and marketing	938,229	202,438	1,140,667	1,383,808
Total operating expenditures	2,909,533	617,833	3,527,366	2,791,811
Asset Impairment	(554,444)	(5,295)	(559,739)	-
Loss from discontinued operations	$ (2,585,480)	$ (475,551)	$ (3,061,031)	$ (1,733,040)

Selling and marketing expenses included in discontinued operations are as follows:

	Year ended March 31, 2020	2019
Advertising	$ 328,266	$ 306,195
Branding	38,713	242,638
Digital marketing	24,055	25,738
Trade shows	131,458	179,899
Sales administration costs	55,158	59,234
Travel and meals	143,781	180,011
Wages	419,236	390,093
Total selling and marketing	**$ 1,140,667**	**$ 1,383,808**

(Expressed in Canadian dollars)

5. DISCONTINUED OPERATIONS & ASSETS HELD FOR SALE (Continued)

Administrative and office expenses included in discontinued operations are as follows:

	Year ended March 31, 2020	2019
Accounting and legal	$ 644	$ 19,463
Insurance	10,345	16,030
Office and other	204,104	144,699
Rent	94,054	57,068
Travel and meals	214,261	126,924
Utilities	4,347	15,383
Consulating fees	420,325	253,839
Wages and salaries	941,592	499,060
Total administrative and office expense	**$ 1,889,672**	$ 1,132,466

6. TRADE AND OTHER RECEIVABLES

	March 31, 2020	March 31, 2019
Trade receivables (a)	$ 186,994	$ 217,462
Miscellaneous receivables (b)	68,312	109,832
Goods and services tax receivable	145,502	304,929
	$ 400,808	**$ 632,223**

(a) Trade receivables

Trade receivables are non-interest bearing and are due within 30 days. As at March 31, 2020, the Company had $11,543 in trade receivables that were over 90 days (March 31, 2019 - Nil). They are considered continued operations and were subsequently collected or applied to the allowance for doubtful accounts.

During the year ended March 31, 2020, revenues from three distributors amounted to 37% of total sales (March 31, 2019: 40%). As at March 31, 2020, these top three distributors amounted to 33% of total trade receivables (March 31, 2019: 34%).

(b) Miscellaneous receivables

At March 31, 2020, a director was indebted to the Company in the amount of $4,822 (March 31, 2019: $72,335 due from management and directors) for withholding taxes remitted on their behalf in connection with common shares issued as an employment benefit and director fees paid. The balance is non-interest bearing. Miscellaneous receivables also included an amount of $nil (March 31, 2019: $37,497) in connection with rent receivable.

(Expressed in Canadian dollars)

7. INVENTORY

The cost of inventories recognized as an expense in the year ended March 31, 2020, was $888,890 and is included in cost of sales of discontinued operations (2019: $1,252,265). During the year ended March 31, 2020 expired product and oversupply of certain SKUs were written down when they were disposed of or when it was highly likely that they could not be sold. The total value of dated stock written down plus cost to dispose was $369,926 for TLP and $2,057 for TLPE for obsolete inventory. Inventory less amounts sold subsequent to year-end were classified as held for sale and an impairment of $393,432 was booked against the total inventory value as part of the group of assets sold under IFRS 5.

		March 31, 2020		March 31, 2019
Finished goods	$	89,415	$	173,410
Supplies		-		158,678
Inventory for continued operations	**$**	**89,415**	**$**	**332,088**
Supplies held for sale		30,159		-
Total inventory	**$**	**119,574**	**$**	**332,088**

8. PREPAID EXPENSES AND DEPOSITS

		March 31, 2020		March 31, 2019
Insurance premiums	$	208,840	$	156,636
Other		9,880		124,804
Total prepaid expenses	**$**	**218,720**	**$**	**281,440**
Construction deposits		100,077		128,077
Security deposits		-		7,726
Total deposits		**100,077**		**135,803**
Total prepaid expenses & deposits	**$**	**318,797**	**$**	**417,243**

As at March 31, 2020, prepaid expenses include a deposit of $100,077 (March 31, 2019 - $128,077) paid in connection with construction of the Company's cannabis production facility in Lumby (Note 9). The deposit is refundable subject to approval by the Village of Lumby that the Company has complied with conditions set out in its various permits.

(Expressed in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Leasehold Improvement	Office furniture	Equipment	Total
Balance, March 31, 2018	$ 3,380,387	$ 726,955	$ 79,929	$ 20,165	$ 49,716	$ 4,257,152
Additions	-	6,779,214	-	-	146,168	6,925,382
Balance, March 31, 2019	3,380,387	7,506,169	79,929	20,165	195,884	11,182,534
Additions	-	78,341	15,747	6,276	105,232	205,596
Disposals	-	(6,050)	-	-	(1,752)	(7,802)
Impairment	(2,579,195)	(3,951,291)	-	(23,195)	(235,689)	(6,789,370)
Balance March 31, 2020	**$ 801,192**	**$ 3,627,169**	**$ 95,676**	**$ 3,246**	**$ 63,675**	**$ 4,590,958**

Accumulated depreciation:	Land	Buildings	Leasehold Improvement	Office furniture	Equipment	Total
Balance, March 31, 2018	$ -	$ -	$ 9,101	$ 2,150	$ 6,139	$ 17,390
Depreciation for the year	-	-	31,972	8,066	13,825	53,863
Balance, March 31, 2019	-	-	41,073	10,216	19,964	71,253
Depreciation for the year	-	94,730	17,839	6,141	37,120	155,830
Disposals	-		-		(575)	(575)
Impairment	-	(49,391)	-	(15,267)	(53,328)	(117,986)
Balance March 31, 2020	$ -	$ 45,339	$ 58,912	$ 1,090	$ 3,181	$ 108,522

Carrying value:	Land	Buildings	Leasehold Improvement	Office furniture	Equipment	Total
As at March 31,2019	$ 3,380,387	$ 7,506,169	$ 38,856	$ 9,949	$ 175,920	$ 11,111,281
As at March 31, 2020	**$ 801,192**	**$ 3,581,830**	**$ 36,764**	**$ 2,156**	**$ 60,494**	**$ 4,482,436**

The Company acquired a 40 acre property located in Lumby, B.C to build its cannabis cultivation facility, and construction of the Company's building was completed in March 2019, with total construction costs being capitalized until the building was ready for its intended use as a licensed producer and grower of cannabis under the Cannabis Act. In November 2019, the Company received approval to be a licensed producer of medicinal cannabis and, as such, the facility is fully employable and depreciation of the facility commenced.

Subsequent to the year-end, the Company entered creditor protection under the BIA process and began a process of restructuring and marketing its assets to settle its debts. Through the process, bids were received and a workout plan was reached that refinanced the company through a loan and merger agreement. This triggered a review of the value of the subsidiary TLC. The arrangement attributed a net value of the company at $4,700,000. The impairment was applied to land, property, plant and equipment and intangible assets on a pro-rata basis. The sale process of the TLP assets also triggered an impairment of property, plant and equipment based on the selling price of substantially all of that company's assets at a value of $300,000 less cost to sell of $39,775 for a net value of $260,225.

(Expressed in Canadian dollars)

10. INTANGIBLE ASSETS

Cost:	Website	Trademarks and related costs	Intellectual property	Total
Balance, March 31, 2018	$ 10,801	$ 117,400	$ 55,500	$ 183,701
Additions	-	83,108	-	83,108
Balance, March 31, 2019	10,801	200,508	55,500	266,809
Additions	7,012	36,871	-	43,883
Impairment	-	(136,749)	(55,500)	(192,249)
Classified as held for sale	-	(54,276)	-	(54,276)
Balance, March 31, 2020	**$ 17,813**	**$ 46,354**	**$ -**	**$ 64,167**
Accumulated amortization:				
Balance, March 31, 2018	$ 9,956	$ 17,180	$ 13,875	$ 41,011
Amortization for the year	845	47,245	22,200	70,290
Balance, March 31, 2019	10,801	64,425	36,075	111,301
Amortization for the year	-	34,167	11,586	45,753
Classified as held for sale	-	(33,768)	-	(33,768)
Impairment	-	(66,511)	(47,661)	(114,172)
Balance, March 31, 2020	**$ 10,801**	**-$ 1,687**	**$ -**	**$ 9,114**
Carrying value:				
As at March 31, 2019	$ -	$ 136,083	$ 19,425	$ 155,508
As at March 31, 2020	**$ 7,012**	**$ 48,041**	**$ -**	**$ 55,053**

The BIA process and sales process within that of TLP and TLC's assets triggered impairment of the Company's intangible assets under IFRS 5. They were proportionately impaired based on the total value of the assets of each company as established by the sale price subsequent to year-end as outlined in Note 9.

11. CONVERTIBLE NOTES

On February 21, 2019, the Company completed a private placement of secured convertible notes for gross proceeds of $4,500,000, of which $250,000 was set aside in cash in a restricted bank account, and classified as other asset pursuant to the terms of the Convertible Security Funding Agreement ("CSFA"). In March 2020, the restricted cash was moved to general funds. The maturity date of the debenture was February 21, 2021. Upon maturity, the Company was required to repay $5,400,000, consisting of the principal amount of $4,500,000 (the Principal) plus interest costs of $900,000. The Company had the right to buy-back the convertible note at any time. If the Company had repaid the note prior to February 21, 2020, the repayment amount was to be reduced to $4,950,000, consisting of the Principal of $4,500,000 plus $450,000 of interest costs. The Company was required to repay the principal amount in 18 equal monthly installments commencing August 21, 2019, with the interest payment of $900,000 due upon maturity, subject to the reduction of interest described above.

11. CONVERTIBLE NOTES (Continued)

The note is convertible, at a fixed conversion price of $0.40 per common share (the "conversion price"), at the option of the holder, into common shares of the Company at any time over the term of the note or if a change of control occurs. Should the Company elect to buy-back all or a portion of the convertible note, the investor has the right to convert to common shares 25% of the principal amount of the note that the Company is buying back, at the same fixed conversion price. In addition, the investor has the right, on each 90-day period to elect payment of quarterly accrued interest in the form of common shares at the then current share price. Any interest paid via common shares will reduce the cash interest payment obligation required at debenture maturity upon early repayment.

The investor also received 5,625,000 warrants as part of this convertible debenture, entitling the investor to purchase one common share at an exercise price of $0.5089 for a period of 36 months from the issue date. The warrants are subject to acceleration where 50% of the total warrants outstanding, or 2,812,500 warrants, may be accelerated at the option of the Company if the volume weighted average price ("VWAP") of the Company's common shares are at least $1.0178 for 30 consecutive trading days. The remaining warrants may be accelerated by the Company if the VWAP of the Company's common shares are at least $1.5267 for 30 consecutive trading days.

The Company allocated the gross proceeds from the issuance between the estimated fair value of the debt and equity components using the residual method. The Company used an effective annualized discount rate of 17.2%, which resulted in valuation of the debt component at $4,303,813 and the equity component at $196,187 before issue costs. The debt component was measured at amortized cost.

On October 7, 2019, the Company completed a waiver, amendment and funding agreement supplement (the "Waiver") for the CSFA noted above. Pursuant to the terms of the CSFA, the Company was required to repay the principal amount in 18 equal monthly installments ($250,000) commencing August 21, 2019. The Waiver provided for (i) a 6 month deferral of these $250,000 payments to the Investor to March 22, 2020; (ii) a fee of $540,000 paid by the issuance of an additional convertible security with a face value of $540,000 (the "Deferral Convertible Security") to the Investor; and (iii) the issuance of 2,160,000 warrants ("New Warrants") of the Company to the Investor. The Company allocated the gross value of the note between the estimated fair value of the debt and equity components using the residual method. The Company used an effective annualized discount rate of 17.9%, which resulted in valuation of the debt component at $277,422 and the equity component at $65,547.

The Deferral Convertible Security was convertible into common shares of the Company at a conversion price of $0.21 per share. The Deferral Convertible Security was required to be repaid in 18 equal monthly installments ($30,000) beginning on March 22, 2020, except that the repayment amount will be reduced in any month by any amount converted by the Investor into the Company's common shares. The New Warrants entitle the Investor to purchase one common share for each warrant, at an exercise price of $0.21, for a period of 36 months from the date of issue.

On March 23, 2020, Lind Asset Management served the Company with a Default Notice demanding the payments due under the Funding Agreements. Both funding agreements stipulate that at the date of an Event of Default the interest payable on the Convertible Security will be at a rate of 15% per annum compounded monthly and all amounts become immediately due.

(Expressed in Canadian dollars)

11. CONVERTIBLE NOTES (Continued)

During the year ended March 31, 2020, the Company recorded accretion expense of $1,854,522 (2019: $126,050) relating to this convertible debt.

		As at March 31, 2020		As at March 31, 2019
Opening balance of convertible notes	$	3,808,056	$	-
Convertible note additions		540,000		4,500,000
Less: Conversion of loan to common shares		(100,000)		-
Less: Allocation to equity on convertible note issued		(65,547)		(160,200)
Less: Allocation to equity for fair value of warrants		(197,031)		(399,998)
Less: Transaction costs		-		(257,796)
Accretion expense		1,854,522		126,050
Interest expense on default		19,467		-
Total	$	5,859,467	$	3,808,056
Less: current portion of debentures		(5,859,467)		(2,000,000)
Long-term portion	**$**	**-**	**$**	**1,808,056**

12. RELATED PARTY BALANCES AND TRANSACTIONS

a) Goods and services

The Company had the following transactions with related parties during the year ended March 31, 2020 and 2019 which were recognized at the amounts that were agreed upon between the two parties:

	Year ended March 31,			
		2020		2019
Paid or payable to the Chief Executive Officer for office space rental	$	60,325	$	30,000
Paid or payable to a company controlled by its Chief Executive Officer for costs associated with packaging inventory	$	314,498	$	172,695
Paid to Paradigm Medical Services, a company controlled by a past Director, for advisory services	$	-	$	63,270

(Expressed in Canadian dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

b) Compensation of key management personnel

The Company considers its key management personnel to be its Directors, Chief Executive Officer, Chief Financial Officer and other senior executives including the President of TLP and SVP of Operations of TLP.

		2020		2019
Director compensation (non-Executive):				
Salaries and consulting fees	$	45,229	$	91,625
Share-based compensation		14,358		47,839
	$	59,587	$	139,464
Management compensation:				
Salaries and management fees	$	671,592	$	277,875
Share-based compensation		353,348		260,148
	$	1,024,940	$	538,023
	$	1,084,527	$	677,487

c) Amounts due to key management and a current director of $237,504 are included in accounts payable at March 31, 2020 (March 31, 2019: $72,335 included in accounts receivable) and are unsecured and non-interest bearing.

13. SHARE CAPITAL

a) Authorized

Unlimited Common voting shares with no par value

b) Issued

The Company had the following share capital transactions during the year ended March 31, 2020:

1. The Company issued 1,507,578 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $521,190.

2. The Company issued 700,000 common shares pursuant to the exercise of share options for proceeds of $276,500.

3. The Company issued 916,666 common shares to an executive as part of their employment contract and recorded $152,500 as a share-based compensation expense, with the same amount as an addition to share capital.

4. The Company issued 833,333 shares upon conversion of the convertible note at $0.12 per share for $100,000 (Note 11) and 458,333 shares were issued at $0.12 per share to settle debt of $55,000.

5. Stock based compensation of $870,498 was recognized due to stock options granted and vested during the year.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (Continued)

The Company had the following share capital transactions during the year ended March 31, 2019:

1. On October 17, 2018, the Company issued 100,000 common shares pursuant to an employment agreement. The shares were valued at $60,000 based on the market price at the share issue date, which is included in share-based compensation expense for the year ended March 31, 2019. The shares are to be held on a restricted basis for one year from the October 17, 2018 issue date.

2. The Company issued 1,128,317 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $406,254. Additional proceeds of $14,000 were recorded as shares subscribed at March 31, 2019 in respect of warrant exercise requests and funds received where the shares had not been issued from treasury as of March 31, 2019.

3. The Company issued 857,145 common shares pursuant to the exercise of share options for proceeds of $158,572.

4. On March 27, 2019, the Company issued 500,000 common shares pursuant to employment and consulting contracts. The shares were valued at $275,000 based on the market price at the share issue date, which is included in share-based compensation expense for the year ended March 31, 2019. The shares are to be held on a restricted basis as follows:
   - 400,000 for seven months from the March 27, 2019 issue date.
   - 100,000 for twelve months from the March 27, 2019 issue date.

c) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

		Number of Warrants	Weighted Average Exercise Price $
Balance, March 31, 2018		**6,297,380**	**0.49**
	Warrants exercised	(1,128,317)	0.36
	Warrants issued	5,625,000	0.51
Balance, March 31, 2019		**10,794,063**	**0.51**
	Warrants expired	(2,057,010)	0.40
	Warrants exercised	(1,507,578)	0.36
	Warrants cancelled	(747,332)	0.36
	Warrants issued	2,160,000	0.21
Balance, March 31, 2020		**8,642,143**	**0.49**

(Expressed in Canadian dollars)

13. SHARE CAPITAL (Continued)

As at March 31, 2020, the following share purchase warrants are outstanding:

Number of Warrants	Price ($)	Expiry Date
857,143	1.05	November 21, 2020*
5,625,000	0.51	February 21, 2022
2,160,000	0.21	October 7, 2022
8,642,143		

*Subsequent to year end 857,143 warrants at a price of $1.05 per share expired

d) Stock options

The Company has a Stock Option Plan (the "Plan") in place under which it is authorized to grant options to directors, executive officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company in any twelve-month period. Under the Plan, the exercise price of each stock option is subject to a minimum of $0.10 and may not be less than the closing market price of Company's common shares on the trading day immediately preceding the date of grant of the options. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

		Number of Options	Weighted Average Exercise Price
Balance, March 31, 2018		**5,907,145**	**0.55**
	Stock options exercised	(857,145)	0.19
	Stock options granted	4,410,000	0.56
	Stock options forfeited	(1,635,000)	0.67
Balance, March 31, 2019		**7,825,000**	**0.57**
	Stock options granted	1,085,000	0.29
	Stock options exercised	(700,000)	0.40
	Stock options expired	(1,550,000)	0.40
	Stock options forfeited	(1,325,000)	0.64
Balance, March 31, 2020		**5,335,000**	**0.57**

(Expressed in Canadian dollars)

13. SHARE CAPITAL (Continued)

As at March 31, 2020, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Exercisable	Exercise Price ($)	Expiry Date
900,000	900,000	0.94	February 6, 2023
700,000	700,000	0.50	July 31, 2023
300,000	99,990	0.56	September 10, 2023
1,600,000	1,116,667	0.56	March 6, 2024
750,000	250,000	0.61	March 21, 2024
1,085,000	50,000	0.29	July 25, 2024
5,335,000	**3,116,657**		

During the year ended March 31, 2020, the Company recorded share-based compensation of $870,498 (2019: $663,387) relating to the stock options.

14. ADMINISTRATIVE AND OFFICE EXPENSE

	Year ended March 31, 2020	2019
Accounting and legal	$ 460,770	$ 323,007
Director fees	45,229	32,494
Filing fees	40,470	76,950
Insurance	247,276	215,182
Transacation costs & interest expense	563,318	29,035
Office and other	172,142	110,796
Property tax expense	136,827	108,525
Rent	37,450	20,265
Transfer agent	25,109	44,020
Travel and meals	58,523	148,267
Utilities	35,317	19,523
Consulating fees	266,092	10,250
Wages and salaries	969,787	961,376
Total administrative and office expense	**$ 3,058,310**	**$ 2,099,690**

(Expressed in Canadian dollars)

15. SELLING AND MARKETING EXPENSE

	Year ended March 31,	
	2020	2019
Advertising	$ 16,050	$ 225,572
Branding	159,994	126,347
Investor Relations	280,761	303,396
Public Relations	110,411	124,934
Total selling and marketing	**$ 567,216**	$ 780,249

16. FINANCIAL INSTRUMENTS AND RISK

Fair Value

Financial instruments recorded at fair value on the 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:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly;
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of receivables. accounts payable, accrued liabilities and note payable approximates their fair value because of the short-term nature of these instruments.

The fair values of cash and cash equivalents and short-term investments are measured based on level 1 inputs of the fair value hierarchy.

Risk

The Company is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of March 31, 2020:

<u>Credit risk</u>

Credit risk refers to the risk that another entity will default on its contractual obligations which will result in a loss for the Company. At March 31, 2020, the Company's exposure to credit risk consists of the carrying value of cash and cash equivalents, and receivables. The Company limits its credit exposure on cash by holding its deposits with established financial institutions. Accounts receivable consists of trade accounts receivable and miscellaneous receivables. The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of inventory.

16. FINANCIAL INSTRUMENTS AND RISK (Continued)

Liquidity risk

Liquidity risk arises from our general and capital financing needs with respect to future growth. Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at March 31, 2020, the Company has cash and cash equivalents of $302,225 (March 31, 2019 - $4,391,072) to settle current liabilities of $7,832,644 (March 31, 2019 - $3,659,829). The Company also has short-term investments of $51,750 (March 31, 2019: $57,500). The Company has entered into creditor protection proceedings (Note 1 and 21).

Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company is exposed to currency risk arising from the translation of its European subsidiary's operations and to currency transaction risk as some of the Company's financial instruments are denominated in U.S. dollars. The results of the Company's operations are subject to currency translation and transaction risks.

The Company's main risk is associated with fluctuations in Canadian and U.S. dollars and Euros. Assets and liabilities are translated based on the Company's foreign currency translation policy. The Company has determined that, with other variables unchanged, the effect of a 10% increase in the Canadian dollar as at March 31, 2020:

- against the Euro on its net European operations, and

- against the U.S. dollar on financial assets and liabilities, including cash, accounts receivable, accounts payables and accrued liabilities denominated in U.S. dollars

would result in a decrease of approximately $155,000 to the net loss and comprehensive loss for the year ended March 31, 2020 (2019 – decrease of approximately $23,000). The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

At March 31, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates as the Company's operations provide a natural hedge. Certain operational costs are denominated in U.S. dollars and funded directly from the Company's U.S. funds. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risk from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. As at March 31, 2020, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

Other risk

Creditor protection in the BIA process present risks relating to the uncertainty of the proceedings and its outcome. The risks include, but are not limited to: the risk that the courts do not approve all transactions proposed in the workout plan; the Company's ability to obtain adequate financing to fund capital expenditures and working capital needs to maintain the Company's ongoing obligations exiting the BIA process; and the ability to maintain relationships with suppliers, employees and shareholders and other third parties in light of the Company's current liquidity situation.

17. CAPITAL MANAGEMENT

Capital Management

The Company's capital includes share capital, cash, the convertible note payable, and the accumulated deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. The Company has not changed its approach to capital management during the year ended March 31, 2020.

18. COMMITMENTS

The Company had the following commitments as of March 31, 2020:

1. The Company has an employment agreement with a senior executive which includes a provision for severance pay if the individual is terminated without cause or due to a change in control. The Company incurs $195,000 plus accrued bonus based on the salary agreed to.

2. The Company has an employment agreement with a senior executive which includes a provision for severance pay if the individual is terminated without cause or due to a change in control. The Company incurs the following obligation based on the salary agreed to:
   i) Terminated prior to April 29, 2021 - $195,000 plus accrued bonus; or
   ii) Terminated after April 29, 2021 - $292,500 plus accrued bonus.

3. The Company has an employment agreement with a senior executive which includes a provision for severance pay if the individual is terminated without cause or due to a change in control. The Company incurs the following obligation based on the salary agreed to:
   i) Terminated prior to May 24, 2021 - $195,000 plus accrued bonus; or
   ii) Terminated after May 24, 2021 - $292,500 plus accrued bonus.

(Expressed in Canadian dollars)

19. INCOME TAX

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

	Year ended March 31, 2020	2019
Loss for the year	$ (16,195,841)	$ (5,509,148)
Expected income tax recovery	$ (4,313,000)	$ (1,487,000)
Change in statutory tax rates and other	54,000	79,000
Permanent differences	283,000	278,000
Change in unrecognized deductible temporary differences	3,971,000	1,130,000
Total income tax expense (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets and deferred tax liabilities are as follows:

	March 31, 2020	2019
Deferred tax assets:		
Share issue and finance costs	$ -	$ 187,000
Deferred tax liabilities:		
Convertible note payable	-	(187.000)
Net deferred tax assets	$ -	$ -

The significant components of the Company’s temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary differences:				
Share issue costs	$ 783,000	2041 to 2043	$ 462,000	2040 to 2043
Property and equipment	$ 4,305,000	No expiry date	$ 82,000	No expiry date
Debt with accretion	$ 800,000	No expiry date	$ -	No expiry date
Intangible assets	$ -	No expiry date	$ 63,000	No expiry date
Non-capital losses	$ 16,986,000	2026 to 2040	$ 10,033,000	2026 to 2039
Non-capital losses available for future periods				
Canada	$ 15,686,000	2026 to 2040	$ 9,219,000	2026 to 2039
Luxembourg	$ 1,300,000	2034 to 2035	814,000	2034 to 2032

(Expressed in Canadian dollars)

19. INCOME TAX (Continued)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2020		2019
Deferred tax assets (liabilities)				
Property and equipment	$	1,162,000	$	(685,000)
Share issue costs		211,000		312,000
Debt with accretion		216,000		(187,000)
Non-capital losses available for future period		4,431,000		2,609,000
	$	6,020,000	$	2,049,000
Unrecognized deferred tax assets		(6,020,000)		(2,049,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

Tax attributes are subject to review, and potential adjustment, by tax authorities.

20. SEGMENTED INFORMATION

The Company has one reportable segment for continued operations in Canada. Discontinued operations included segments in North America and Europe for TLP and TLPE, respectively. Refer to Note 5, discontinued operations, for a breakdown of the assets, revenues and expenses for those operations.

21. SUBSEQUENT EVENTS

In March 2020, the True Leaf Group of Companies received a notice of default from its principal creditor, Lind, in respect of secured debt owed to Lind in the amount of $5,940,000. (the "Lind Debt"). Shortly thereafter, subsequent to the year ended March 31, 2020, TLB, TLI, TLC and TLP commenced restructuring proceedings and sought creditor protection by each filing a Notice of Intention to make a proposal (the "NOI Proceedings") under the Bankruptcy and Insolvency Act (Canada) (the "BIA"). Extensions were filed with and granted by the courts on May 1, June 16, July 31, August 5, and August 28, 2020.

The NOI Proceedings commenced in April 2020. The assets or shares of TLC and TLP were marketed through a sales process overseen by the Company's trustee, FTI Consulting.

Darcy Bomford, founder, stepped down as Chief Executive Officer ("CEO") and Allan Fujimoto, formerly Senior Vice President of TLP was appointed by the board as Chief Restructuring Officer ("CRO") and Interim CEO. Prior to entering into creditor protection, Darren Battersby resigned as the Company's Chief Financial Officer ("CFO") and Jennifer Pace was appointed by the board as CFO.

On April 29, 2020, the Company entered into a Debtor in Protection Credit Facility Agreement ("DIP Loan") with Lind to provide financing to fund the BIA process. The DIP Loan provided for funding in the maximum amount of $700,000, with an initial advance of $250,000 and subsequent weekly draws in the maximum amount of $50,000. The term of the loan was up to August 15, 2020, with a 10 per cent per annum interest rate, and required that the Companies seek Court approval for a sales process which was subsequently granted. Amendments were granted by Lind to the DIP Loan on August 14, August 31 and October 19, 2020 extending the term of the agreement in line with the sale process for TLC.

On August 11, 2020, an agreement for the sale of substantially all of TLP's assets including the shares of TLPE was signed with 4033001, and its parent company Hemp Technology Inc. Gross proceeds of $300,000 was applied against the outstanding Lind Debt.

21. SUBSEQUENT EVENTS (Continued)

The sale of TLP's assets completed on September 11, 2020. Immediately prior to that, the company accepted the resignations of its interim CEO, Allen Fujimoto; President of True Leaf Pet Inc., Kevin Cole; Corporate Secretary, Melissa Vettoretti; and three other board members, Jodi Watson, Mike Mardy and Sylvain Toutant.

Proposals were filed to work out the debts of TLB, TLC and TLI with the courts prior to the stay expiring, and creditor meetings were subsequently held where the plans of arrangements were all approved. When the final stay expired on October 2, 2020, TLP, having sold all of its assets, defaulted into bankruptcy.

Between late September and early October 2020, each of TLC, TLI and TLB filed a proposal to their respective creditors with the Office of Superintendent in Bankruptcy. The terms of these proposals were based upon an agreement dated September 11, 2020 among Lind, ASOF, Canguard, 1263815 B.C. Ltd. and two newly-incorporated British Columbia companies owned by a group of new investors. The terms of the Refinancing Agreement and a proposed share capital reorganization of TLB are summarized in Note 1.

The substance of the TLB Share Capital Reorganization involves two basic elements:

1. A proposed consolidation of the issued and outstanding TLB common shares (the "Consolidation") on a 10-1 basis; and

2 . The re-acquisition by TLB from Acquire Co #1 of all of the issued shares of TLI and its subsidiary TLC, the owner of the Lumby Property and the holder of the Licence, and the acquisition by TLB from Acquire Co #2 of all of the issued shares of Lind (holder of the residue of the Lind Debt), all in exchange for a sufficient number of newly issued TLB common shares to give the New Investor Group approximately 58% of the then issued and outstanding common shares of TLB.