True Leaf Brands Inc.
Condensed Interim Consolidated Financial Statements
For the Three Months ended June 30, 2020 and 2019

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

TRUE LEAF BRANDS INC.

Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Notes		June 30, 2020		March 31, 2020
Assets					
Current					
Cash and cash equivalents		$	77,320	$	302,225
Short-term investments	16		51,750		51,750
Trade and other receivables	6		412,305		400,808
Inventories	7		39,037		89,415
Prepaid expenses and deposits	8		371,731		318,797
Assets held for sale	5		56,838		53,615.00
			1,008,981		1,216,610
Property, plant and equipment	5, 9		4,456,531		4,482,436
Intangible assets	5, 10		55,404		55,053
Total assets		$	5,520,916	$	5,754,099
Liabilities					
Current					
Accounts payable and accrued liabilities		$	2,773,293	$	1,973,177
Debtor in protection loan payable			305,404		-
Current portion convertible note payable	11		6,080,150		5,859,467
Total liabilities			9,158,847		7,832,644
Shareholders' equity (deficiency)					
Share capital	13		23,962,363		23,962,363
Reserves			4,674,409		4,625,953
Deficit			(32,274,703)		(30,666,861)
Total shareholders' equity (deficiency)			(3,637,931)		(2,078,545)
Total liabilities and shareholders' equity (deficiency)		$	5,520,916	$	5,754,099

Nature of operations and going concern (Note 1)

Subsequent events (Note 19)

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

Approved on behalf of the Board of Directors on December 4, 2020

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

TRUE LEAF BRANDS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian dollars)

		For the Three Months Ended June 30,	
	Notes	2020	2019
Operating Expenditures			
Accretion expense	11	$ -	$ 276,471
Administrative and office	14	1,123,632	627,295
Amortization and depreciation	9, 10	27,521	-
Selling and marketing	15	17,952	178,157
Share-based compensation	13	48,456	235,281
Total operating expenditures		1,217,561	1,317,204
Loss from operations		1,217,561	1,317,204
Other income		41,306	23,600
Foreign exchange gain (loss)		1,816	(13,900)
Net loss from continued operations		**(1,174,439)**	**(1,307,504)**
Loss from discontinued operations	5	(433,403)	(690,147)
Loss for the year		$ (1,607,842)	$ (1,997,651)
Weighted average number of common shares outstanding – basic and dilluted		102,370,431	99,427,778
Loss per common share, discontinued operations - basic and dilluted		($0.00)	($0.01)
Loss per common share – basic and dilluted		($0.20)	($0.20)

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

TRUE LEAF BRANDS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity (Deficit)
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)**
Share-based compensation			48,456	-	48,456
Loss for the year	-	-	-	(1,607,842)	(1,607,842)
Balance, June 30, 2020	**102,370,431**	**$ 23,962,363**	**$ 4,674,409**	**$ (32,274,703)**	**$ (3,637,931)**

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

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

	Three months ended June 30, 2020	2019
Operating activities		
Loss for the year from continuing operations	$ (1,174,439)	$ (1,307,504)
Items not affecting cash:		
Accretion expense	-	276,471
Non cash interest expense	226,087	-
Amortization and depreciation	27,521	48,448
Share-based compensation	48,456	235,281
Transactions cost of loan extension	19,000	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(36,405)	37,388
Accounts payable and accrued liabilities	194,494	(341,854)
Due to related parties	876,455	(453,004)
Inventories	-	-
Trade and other receivables	(8,857)	353,288
Net cash used in operating activities	172,312	(1,151,486)
Investing activities		
Additions to property, plant and equipment	(4,700)	(725,312)
Intangible asset costs	-	(15,206)
(Increase)/decrease in short-term investments	-	(45,000)
Net cash used in investing activities	(4,700)	(785,518)
Financing activities		
Proceeds from exercise of options	-	276,500
Proceeds from exercise of warrants	-	521,190
Proceeds of loan	300,000	
Net cash provided by financing activities	300,000	797,690
Change in cash and cash equivalents - continued operations	467,612	(1,139,314)
Change in cash - discontinued operations (note 5)	(692,517)	(695,721)
Cash and cash equivalents, beginning of the year (including discontinued operations)	302,225	4,391,072
Cash and cash equivalents, end of the year*	$ 77,320	$ 2,556,037

March 31, 2020 includes cash of discontinued operations (Note 5)

The accompanying notes are an integral part of these condensed interim 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 three months ended June 30, 2020, the Company incurred a loss of $1,607,842 and has a deficit of $32,274,703. The Company earned revenues of $318,313 (2019 - $414,657) from TLP and TLPE, however, these two subsidiaries did not achieve profitability. On April 2, 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Going Concern (Continued)

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.

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

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Going Concern (Continued)

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.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue operations.

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, Canguard Mortgage Investment Corporation ("Canguard") 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 11, 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Corona Virus (COVID-19)

In March 2020, the World Health Organization declared corona virus ("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 4, 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.

2. BASIS OF PREPARATION (CONTINUED)

(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. CHANGES IN ACCOUNTING POLICIES

Adoption of New IFRS Pronouncements

IFRS 16 − Leases

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 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.

(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:

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Estimates (continued)

- 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.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

- Going concern (Continued)
  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.

5. DISCONTINUED OPERATIONS & ASSETS HELD FOR SALE

On April 2, 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.

(Expressed in Canadian dollars)

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

The following is a continuity of asset values taking into account their related impairments as of March 31, 2020:

	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.

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

	Three months ended June 30,	
	2020	**2019**
Net cash used in operating activities	$ (692,517)	$ (637,291)
Net cash used in investing activities	-	(58,430)
Change in cash during the year	$ (692,517)	$ (695,721)

(Expressed in Canadian dollars)

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

For the three months ended June 30, 2020, income arising from discontinued operations include the operating income of TLP and TLPE as follows:

		TLP		**TLPE**		**Total June 30, 2020**		**June 30,2019**
Sales	$	249,337	$	68,976	$	318,313	$	414,657
Cost of sales		73,588		52,368		125,956		214,889
Gross Profit		175,749		16,608		192,357		199,768
Operating Expenditures								
Administrative and office		559,717		23,031		582,748		571,627
Amortization and depreciation		-		-		-		9,252
Inventory write-down		-		-		-		-
Research and development		-		-		-		9,746
Selling and marketing		86,119		-		86,119		306,996
Total operating expenditures		645,836		23,031		668,867		897,621
Loss from discontinued operations	$	(470,087)	$	(6,423)	$	(476,510)	$	(697,853)
Other income		55,712		-		55,712		-
Foreign exchange gain (loss)		(1,535)		(11,070)		(12,605)		7,706
Loss and comprehensive loss for the year	**$**	**(415,910)**	**$**	**(17,493)**	**$**	**(433,403)**	**$**	**(690,147)**

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

		Three months ended June 30,		
		2020		2019
Advertising	$	5,831		54,484
Branding		-		67,710
Digital marketing		7,162		5,132
Trade shows		-		34,352
Sales administration costs		1,898		12,759
Travel and meals		101		34,508
Wages		71,127		98,051
Total selling and marketing	**$**	**86,119**	**$**	**306,996**

(Expressed in Canadian dollars)

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

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

	Three months ended June 30, 2020		2019	
Accounting and legal	$	1,101	$	1,278
Office and other		21,059		120,652
Rent		16,246		12,900
Travel and meals		346		137,019
Utilities		477		1,790
Consulating fees		20,489		44,270
Wages and salaries		522,962		253,718
Total administrative and office expense	**$**	**582,680**	$	571,627

6. TRADE AND OTHER RECEIVABLES

		June 30, 2020		March 31, 2020
Trade receivables (a)	$	204,050	$	186,994
Miscellaneous receivables (b)		53,895		68,312
Goods and services tax receivable		154,359		145,502
	$	**412,305**	**$**	**400,808**

(a) Trade receivables

Trade receivables are non-interest bearing and are due within 30 days. As at June 30, 2020, the Company had $6,282 trade receivables that were over 90 days (March 31, 2020 - $11,543).

(b) Miscellaneous receivables

At June 30, 2020, certain management and a director were indebted to the Company $4,822 (March 31, 2020: $4,822) 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 and will be repaid in full by March 31, 2020.

(Expressed in Canadian dollars)

7. INVENTORY

	June 30, 2020	March 31, 2020
Finished goods	$39,037	$89,415
Held for sale	30,159	30,159
	$69,196	**$119,574**

The cost of inventories recognized as an expense in Discontinued operation for the three months ended June 30, 2020 was $73,588 and is included in cost of sales (2019: $214,889).

8. PREPAID EXPENSES AND DEPOSITS

		March 31, 2020		March 31, 2020
Insurance premiums	$	143,917	$	208,840
Other		127,737		9,880
Total prepaid expenses	**$**	**271,654**	**$**	**218,720**
Construction deposits		100,077		100,077
Total deposits		**100,077**		**100,077**
Total prepaid expenses & deposits	**$**	**371,731**	**$**	**318,797**

As at June 30, 2020, prepaid expenses include a deposit of $100,077 (March 31, 2020 - $100,077) paid in connection with construction of the Company’s cannabis production facility in Lumby (Note 8). 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, 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
Additions	-	-	-	-	4,700	4,700
Disposals	-	-	-	-	(4,320)	(4,320)
Balance June 30, 2020	**$ 801,192**	**$ 3,627,169**	**$ 95,676**	**$ 3,246**	**$ 64,055**	**$ 4,591,338**
Accumulated depreciation:						
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
Depreciation for the period	-	22,670	4,433	20	398	27,521
Disposals					(1,236)	(1,236)
Balance June 30, 2020	$ -	$ 68,009	$ 63,345	$ 1,110	$ 2,343	$ 134,807
Carrying value:						
As at March 31,2020	$ 801,192	$ 3,581,830	$ 36,764	$ 2,156	$ 60,494	$ 4,482,436
As at June 30, 2020	**$ 801,192**	**$ 3,559,160**	**$ 32,331**	**$ 2,136**	**$ 61,712**	**$ 4,456,531**

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.

On April 2, 2020, 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. An impairment was calculated for the year ended March 31, 2020 and applied to land, property, plant and equipment and intangible assets of TLC 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, 2019		10,801		200,508		55,500	$	266,809
Additions		7,012		36,871		-		43,883
Impairment		-		(136,749)		(55,500)		(192,249)
Prior period adjustments								-
Classified as held for sale		-		(54,276)		-		(54,276)
Balance, March 31, 2020		17,813		46,354		-		64,167
Additions		-		2,389		-		2,389
Balance, June 30, 2020	**$**	**17,813**	**$**	**48,743**	**$**	**-**	**$**	**66,556**
Accumulated amortization:								
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		-		(64,824)		(47,661)		(112,485)
Balance, March 31, 2020		10,801		-		-		10,801
Amortization for the period		351				-		351
Balance, June 30, 2020	**$**	**10,450**	**$**	**-**	**$**	**-**	**$**	**11,152**
Carrying value:								
As at March 31, 2020	$	7,012.00	$	48,041	$	-	$	55,053
As at June 30, 2020	**$**	**7,363**	**$**	**48,743**	**$**	**-**	**$**	**55,404**

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.

(Expressed in Canadian dollars)

11. CONVERTIBLE NOTES (Continued)

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.

	As at June 30, 2020	As at March 31, 2020
Opening balance of convertible notes	$ 5,859,467	$ 3,808,056
Convertible note additions	-	540,000
Less: Conversion of loan to common shares	-	(100,000)
Less: Allocation to equity on convertible note issued	-	(65,547)
Less: Allocation to equity for fair value of warrants	-	(197,031)
Accretion expense	-	1,854,522
Interest expense on default	220,683	19,467
Total	$ 6,080,150	$ 5,859,467
Less: current portion of debentures	(6,080,150)	(5,859,467)
Long-term portion	**$ -**	**$ -**

During the three months ended June 30, 2020, the Company recorded interest expense of $220,683 (2019: $nil) relating to this convertible debt.

On April 29, 2020, the Company entered into a Debtor in Protection Credit Facility ("DIP Loan") to provide it with financing to fund certain of the Company's cash requirements during the pendency of the BIA Process under the proposal provisions of the Bankruptcy and Insolvency Act (Canada) overseen by the Supreme Court of British Columbia. The loan is a non-revolving credit facility of up to $700,000 repayable, together with all accrued and unpaid interest, fees and repayment obligations, on the earlies of August 15, 2020 and the date on which the sale of all or substantially all of the assets of the Company closes, or if the company is deemed bankrupt under the BIA process. The loan bears interest of 10% per annum compounded monthly. The Company made total draws of $300,000 on the facility and accrued interest of $5,404.

(Expressed in Canadian dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS

a) Goods and services

The Company had the following transactions with related parties during the three months ended June 30, 2020 and 2019 which were recognized at the amounts that were agreed upon between the two parties:

	Three Months Ended June 30, 2020	2019
Paid to the Chief Executive Officer for office space rental	$9,200	$7,500
Paid to a company controlled by its Chief Executive Officer for costs associated with packaging inventory	$ -	$36,656

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 True Leaf Pet and SVP of Operations of True Leaf Pet.

	Three Months Ended June 30, 2020	2019
Director compensation (non-Executive):		
Salaries and consulting fees	$ -	$ 28,250
Share-based compensation	-	13,661
	$ -	$41,911
Management compensation:		
Salaries and management fees	$ 140,604	$ 153,699
Share-based compensation	48,456	99,936
	$ 189,060	$253,635
	$ 189,060	$295,546

c) During the three months ended June 30, 2020 most executive contracts were terminated and severed and severance pay of $609,375 was accrued. Amounts due to key management and a current director of $655,312 are included in accounts payable at March 30, 2020 (March 31, 2019: $237,505) and are unsecured, non-interest bearing.

(Expressed in Canadian dollars)

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 three-month period ended June 30, 2019:

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

b. The Company issued 400,000 common shares pursuant to the exercise of share options for proceeds of $158,000. Additional proceeds of $118,500 were recorded during the period in respect of an option exercise for 300,000 shares, as funds were received but the shares were not issued from treasury as of June 30, 2019.

The Company did not have any share capital transactions during the three-month period ended June 30, 2020.

c) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

		Number of Warrants
Balance, March 31, 2019		**10,794,063**
	Warrants expired	(2,057,010)
	Warrants exercised	(1,507,578)
	Warrants cancelled	(747,332)
	Warrants issued	2,160,000
Balance, March 31, 2020		**8,642,143**
	Warrants expired	-
Balance, June 30, 2020		**8,642,143**

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants (continued)

As a June 30, 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 the period end 857,143 warrants at a price of $1.06 per share expired, unexercised

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, 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**
	Stock options forfeited	(916,667)	0.66
Balance, June 30, 2020		**4,418,333**	**0.55**

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

d) Stock options (continued)

As at June 30, 2020, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Exercisable	Exercise Price ($)	Expiry Date
700,000	700,000	0.50	July 31, 2023
283,333	83,323	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
4,418,333	**2,199,990**		

During the three months ended June 30, 2020, the Company recorded share-based compensation of $48,456 (2019: $50,541) relating to the stock options.

14. ADMINISTRATIVE AND OFFICE EXPENSE

	Three months ended June 30, 2020	2019
Accounting and legal	$ 256,941	$ 58,775
Director fees	-	15,435
Filing fees	5,781	7,979
Insurance	78,287	61,283
Transacation costs & interest expense	245,306	-
Office and other	45,510	14,059
Property tax expense	52,050	14,889
Rent	-	16,342
Transfer agent	158	7,876
Travel and meals	-	34,684
Utilities	6,251	5,307
Consulting fees	136,145	10,250
Wages and salaries	297,203	380,416
Total administrative and office expense	**$ 1,123,632**	**$ 627,295**

(Expressed in Canadian dollars)

15. SELLING AND MARKETING EXPENSE

	Three months ended June 30,	
	2020	2019
Advertising	$ -	$ 45,363
Investor Relations	8,412	117,794
Public Relations	9,540	15,000
Total selling and marketing	**$ 17,952**	$ 178,157

16. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

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 June 30, 2020:

16. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (CONTINUED)

Credit risk

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.

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 June 30, 2020, the Company has cash and cash equivalents and short term investments of $129,070 (March 31, 2020 - $353,975) to settle current liabilities of $9,158,874 (March 31, 2020 - $7,832,644). The Company has entered into creditor protection proceedings (Note 1 and 19).

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 June 30, 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 $2,000 to the net loss and comprehensive loss for the year ended June 30, 2020 (2019 – decrease of approximately $76,000). The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

16. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (CONTINUED)

At June 30, 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 June 30, 2020, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

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 three months ended June 30, 2020.

17. COMMITMENTS

The Company had the no commitments as of June 30, 2020 (see note 10 (c)). All obligations were terminated as part of the BIA process.

18. 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.

19. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2020:

1) 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.

2) 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.

3) 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.

4) 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.