True Leaf Brands Inc.
Condensed Interim Consolidated Financial Statements
For the Nine Months ended December 31, 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	December 31, 2020	March 31, 2020
Assets			
Current			
Cash and cash equivalents		$ 128,762	$ 302,225
Short-term investments	16	-	51,750
Trade and other receivables	6	174,588	400,808
Inventories	7	-	89,415
Prepaid expenses and deposits	8	228,949	318,797
Assets held for sale	5	-	53,615
		532,299	1,216,610
Property, plant and equipment	5, 9	4,399,887	4,482,436
Intangible assets	5, 10	54,002	55,053
Total assets		$ 4,986,188	$ 5,754,099
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 858,671	$ 1,973,177
Current portion of long term debt		4,700,000	-
Current portion convertible note payable	11	0	5,859,467
Total current liabilities		5,558,671	7,832,644
Convertible note payable	11	-	-
Total liabilities		5,558,671	7,832,644
Shareholders' equity (deficiency)			
Share capital	13	30,493,730	23,962,363
Reserves		4,935,132	4,625,953
Deficit		(36,001,346)	(30,666,861)
Total shareholders' equity (deficiency)		(572,483)	(2,078,545)
Total liabilities and shareholders' equity (deficiency)		$ 4,986,188	$ 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 March 1, 2021

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

TRUE LEAF BRANDS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian dollars)

	Notes	For the Nine Months Ended December 31, 2020	2019
Operating Expenditures			
Accretion expense	11	$ -	$ 836,467
Administrative and office	14	2,788,048	2,130,733
Amortization and depreciation	9, 10	84,672	47,553
Selling and marketing	15	57,410	369,397
Share-based compensation	13	309,179	665,973
Total operating expenditures		3,239,309	4,050,123
Loss from operations		3,239,309	4,050,123
Other income		133,411	(14,719)
Gain (loss) on disposal	5	(1,595,900)	-
Foreign exchange gain (loss)		3,773	21,673
Net loss from continued operations		**(4,698,025)**	**(4,043,169)**
Loss from discontinued operations	5	(636,460)	(1,864,266)
Loss for the period		$ (5,334,485)	$ (5,907,435)
Weighted average number of common shares outstanding – basic and diluted *		28,791,472	11,118,101
Loss per common share, discontinued operations - basic and diluted		($0.02)	($0.17)
Loss per common share – basic and diluted		($0.19)	($0.53)

***Prior year Weighted average number of common shares outstanding has been restated to reflect the effects of consolidation completed December 10, 2020**

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					309,179		-		309,179
Share consolidation	(90,995,939)								
Shares issued to settle debt	17,416,980		6,531,368						6,531,368
Loss for the period	-		-		-		(5,334,485)		(5,334,485)
Balance, December 31, 2020	**28,791,472**	**$**	**30,493,730**	**$**	**4,935,132**	**$**	**(36,001,346)**	**$**	**(572,483)**

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)

	Notes		Nine months ended December 31, 2020		2019
Operating activities					
Loss for the period from continuing operations		$	(4,698,025)	$	(4,043,169)
Items not affecting cash:					
Accretion expense	11		-		836,467
Non cash interest expense	11		472,141		-
Amortization and depreciation	9,10		84,672		47,551
Debt discharged through bankruptcy			(1,798,722)		-
Share-based compensation	13		309,179		665,973
Transactions cost of loan extension			79,000		-
Changes in non-cash working capital items:					
Prepaid expenses and deposits	8		86,900		221,873
Accounts payable and accrued liabilities			(1,292,290)		(142,388)
Due to related parties			6,637,279		(1,797,079)
Inventories	7		-		(238,506)
Trade and other receivables			(24,264)		(1,228)
Net cash used in operating activities			(144,130)		(4,450,506)
Investing activities					
Additions to property, plant and equipment	9		(1,070)		(95,866)
Intangible asset costs	10		(2,740)		46,760
(Increase)/decrease in short-term investments			51,750		-
Net cash used in investing activities			47,940		(49,106)
Financing activities					
Proceeds from exercise of options	13		-		276,500
Proceeds from share issue	13		-		152,500
Proceeds from exercise of warrants	13		-		521,190
Proceeds of loan	11				-
Net cash provided by financing activities			-		950,190
Change in cash and cash equivalents - continued operations			(96,190)		(3,549,422)
Change in cash - discontinued operations (note 5)			(77,273)		77,273
Cash and cash equivalents, beginning of the year (including discontinued operations)			302,225		4,391,072
Cash and cash equivalents, end of the year*		$	128,762	$	918,923

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 September 9, 2014 and is the legal parent of True Leaf Investments Corp. ("TLI"), True Leaf Cannabis Inc. ("TLC").

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 Pink under the ticker symbol "TRLFF" and the Frankfurt Stock Exchange under the symbol "TLAA". The Company's head office and registered office is located at 1055 West Hastings Street, Suite 1700, Vancouver BC, V6E 2E9.

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

The 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 Nine Months ended December 31, 2020, the Company incurred a loss of $5,334,485 and has a deficit of $36,001,346 The Company earned revenues of $586,175 (2019 - $1,598,562) from its subsidiaries True Leaf Pet Inc. ("TLP") and True Leaf Pet Europe S.A.R.L. ("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. The sale of the assets of TLP and shares of TLPE closed on September 11, 2020, thereafter, the only remaining operations of the Company is through TLI and TLC.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Going Concern (Continued)

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. TLP had no assets remaining and became bankrupt when the stay expired.

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.

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 were sponsored by two financing groups, Canguard Mortgage Investment Corporation ("Canguard") and 1263815 BC Ltd. ("Second Mortgage Co.").

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Refinancing Agreement (Continued)

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.

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").

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

TLB Share Capital Reorganization (Continued)

The following steps were executed on the closing of December 11, 2020:

- TLB, by way of a consent resolution of the directors of TLB, effected the Consolidation, which consisted 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 nine old TLB shares for one new TLB share;
- In order to implement the Vend-in, a newly-created single purpose subsidiary of TLB was amalgamated 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 received all of the issued and outstanding shares of Amalco; and
- Immediately thereafter, Amalco was 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, was restored.

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 March 1, 2021.

(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

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.

2. 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.

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

3. 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:

(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.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(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 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.

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**

(Expressed in Canadian dollars)

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

The following assets, previously reported as held for sale, were sold on September 11, 2020:

		TLP		TLPE		Total
Inventory	$	30,159	$	-	$	30,159
Prepaid expenses		-		2,970		2,970
Intangible assets		-		23,668		23,668
	$	**30,159**	**$**	**26,638**	**$**	**56,797**

There were no liabilities directly associated with the assets held for sale.

In November 2020 the court granted an order in the Company's restructuring proceedings approving the financing transaction between TLB, TLC, TLI, Lind Asset Management XV, LLC , The Australian Special Opportunity Fund, LP, Canguard Mortgage Investment Corporation ("Canguard") and its related acquisition entities pursuant to a term sheet between the parties dated September 11, 2020 and the sale of the shares of True Leaf Investments Ltd. to Canguard's acquisition companies ("Acquisition Cos") in accordance with the Transaction. TLB entered into a definitive merger agreement (the "Merger Agreement") with the Acquisition Cos to re-acquire TLC and TLI. The Acquisition Cos were at arm's length to the Company and are owned by private investors.

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

	Nine months ended December 31,			
		2020		**2019**
Net cash used in operating activities	$	(77,273)	$	185,101
Net cash used in investing activities		-		(107,828)
Change in cash during the year	$	(77,273)	$	77,273

(Expressed in Canadian dollars)

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

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

						Total December 31,		
		TLP		**TLPE**		**2020**		**2019**
Sales	$	337,195	$	248,980	$	586,175	$	1,681,158
Cost of sales		92,530		180,689		273,219		843,963
Gross Profit		244,665		68,291		312,956		837,195
Operating Expenditures								
Administrative and office		674,462		143,138		817,600		1,333,761
Amortization and depreciation		-		-		-		73,819
Inventory write-down		-		182		182		36,161
Research and development		-		-		-		21,797
Selling and marketing		154,286		21,797		176,083		1,050,827
Share-based compensation		-		-		-		102,500
Total operating expenditures		828,748		165,117		993,865		2,618,865
Loss from discontinued operations	$	(584,083)	$	(96,826)	$	(680,909)	$	(1,781,670)
Other income		86,528		-		86,528		-
Foreign exchange gain (loss)		(7,269)		(34,810)		(42,079)		(82,596)
Loss and comprehensive loss for the year	**$**	**(504,824)**	**$**	**(131,636)**	**$**	**(636,460)**	**$**	**(1,864,266)**

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

	Nine Months Ended December 31,			
		2020		2019
Advertising	$	23,990		273,403
Branding		-		146,238
Digital marketing		12,766		10,686
Trade shows		3,695		120,493
Sales administration costs		3,225		34,851
Travel and meals		1,344		119,512
Wages		131,063		345,644
Total selling and marketing	**$**	**176,083**	**$**	**1,050,827**

(Expressed in Canadian dollars)

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

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

		Nine months ended December 31,		
		2020		2019
Accounting and legal	$	1,101	$	1,079
Insurance		14,533		1,683
Office and other		53,704		89,049
Rent		33,620		74,802
Travel and meals		381		198,832
Utilities		1,070		2,818
Consulating fees		79,137		269,167
Wages and salaries		634,054		696,331
Total administrative and office expense	**$**	**817,600**	$	1,333,761

6. TRADE AND OTHER RECEIVABLES

		December 31, 2020		March 31, 2020
Trade receivables (a)	$	-	$	186,994
Miscellaneous receivables (b)		5,000		68,312
Goods and services tax receivable		169,588		145,502
	$	**174,588**	**$**	**400,808**

(a) Trade receivables

Trade receivables are non-interest bearing and are due within 30 days. As at December 31, 2020, the Company had no trade receivables that were over 90 days (March 31, 2020 - $11,543).

(b) Miscellaneous receivables

At December 31, 2020, the Company had $5,000 in rent receivable (March 31, 2020: $ nil).

(Expressed in Canadian dollars)

7. INVENTORY

The cost of inventories recognized as an expense in Discontinued operation for the Nine Months ended December 31, 2020 was $273,032 and is included in cost of sales (2019: $843,963).

8. PREPAID EXPENSES AND DEPOSITS

		December 31, 2020		March 31, 2020
Insurance premiums	$	8,289	$	208,840
Interest		120,000		-
Other		583		9,880
Total prepaid expenses	**$**	**128,872**	**$**	**218,720**
Construction deposits		100,077		100,077
Total deposits		**100,077**		**100,077**
Total prepaid expenses & deposits	**$**	**228,949**	**$**	**318,797**

As at December 31, 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 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.

The new debt secured by the Company included a requirement for six months of prepaid interest on the First and Second mortgages. The holders of the second mortgage amended the requirement to one month's prepaid interest. Prepaid interest includes $120,000 interest payable on the first mortgage from January to May 2021.

(Expressed in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

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.

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	-	-	-	-	1,070	1,070
Balance December 31, 2020	**$ 801,192**	**$ 3,627,169**	**$ 95,676**	**$ 3,246**	**$ 64,745**	**$ 4,592,028**
Accumulated depreciation:						
Balance, March 31, 2019	$ -	$ -	$ 41,073	$ 10,216	$ 19,964	$ 71,253
Depreciation for the period	-	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	-	68,009	14,351	61	1,198	83,619
Balance December 31, 2020	$ -	$ 113,348	$ 73,263	$ 1,151	$ 4,379	$ 192,141
Carrying value:						
As at March 31,2020	$ 801,192	$ 3,581,830	$ 36,764	$ 2,156	$ 60,494	$ 4,482,436
As at December 31, 2020	**$ 801,192**	**$ 3,513,821**	**$ 22,413**	**$ 2,095**	**$ 60,366**	**$ 4,399,887**

(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		351		2,389		-		2,740
Balance December 31, 2020	**$**	**18,164**	**$**	**48,743**	**$**	**-**	**$**	**66,907**
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		1,402		702		-		2,104
Balance December 31, 2020	**$**	**12,203**	**$**	**702**	**$**	**-**	**$**	**12,905**
Carrying value:								
As at March 31, 2020	$	7,363	$	48,743	$	-	$	56,106
As at December 31, 2020	**$**	**5,961**	**$**	**48,041**	**$**	**-**	**$**	**54,002**

11. DEBT AND 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. DEBT AND CONVERTIBLE NOTES (Continued)

The note was 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.

The investor also received 5,625,000 per-consolidation 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 (pre-consolidation) 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 (pre-consolidation) 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 $197,031 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 would 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 (pre-consolidation), for a period of 36 months from the date of issue.

(Expressed in Canadian dollars)

11. DEBT AND 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 December 31, 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		455,621		19,467
Settlement		(6,315,088)		
Total	$	-	$	5,859,467

During the Nine Months ended December 31, 2020, the Company recorded accretion expense of $nil (2019: $836,467) relating to this convertible debt. The debt was settled as outlined in Note 1 via a Refinancing Agreement with LAM and Canguard.

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 was 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. Extensions on the term of the loan were made with amending agreements dated August 14, 2020, August 31, 2020 and October 2, 2020. The loan bearing interest of 10% per annum compounded monthly. The Company made total draws of $700,000 on the facility and accrued interest of $16,520. The debt was settled as outlined in Note 1 via a Refinancing Agreement with LAM and Canguard.

On September 17, 2020 the Company entered into a First Mortgage Credit Facility with Canguard Mortgage Investment Corporation in the amount of $3,000,000 registered as a first charge on the existing land and building at 1837 Shuswap Avenue, Lumby BC. The mortgage term is 12 months and bears interest of 10% per annum, calculated monthly. The mortgage included fees of $2,000 for due diligence and a facility fee of $60,000 that was fully earned and payable upon the first advance. The mortgage was fully drawn on November 17, 2020. During the period ended December 31, 2020 interest of $25,000 was paid from prepaid interest held by the mortgagor.

(Expressed in Canadian dollars)

11. DEBT AND CONVERTIBLE NOTES (Continued)

On September 17, 2020 the Company entered into a Second Mortgage Credit Facility with 1263815 BC Ltd. In the amount of $1,700,000 registered as a second charge on the existing land and building at 1837 Shuswap Avenue, Lumby BC. The mortgage term is 12 months and bears interest of 12% per annum, calculated monthly. The mortgage included fees of $2,000 for due diligence and a facility fee of $1,000 that was fully earned and payable upon the first advance. The mortgage was fully drawn on November 17, 2020. During the period ended December 31, 2020 interest of $17,000 was paid from prepaid interest held by the mortgagor.

12. RELATED PARTY BALANCES AND TRANSACTIONS

a) Goods and services

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

	Nine Months Ended December 31,	
	2020	2019
Paid to the Chief Executive Officer for office space rental	$20,300	$49,825
Paid to a company controlled by its Chief Executive Officer for costs associated with packaging inventory	$ -	$306,951

On October 2, 2020 TLP entered bankruptcy and of the $306,951 payable to the company controlled by its Chief Executive Officer $242,099 became uncollectable and $33,000 was sold with the sale of shares of TLPE.

(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, and Chief Financial Officer.

	Nine Months ended December 31, 2020	2019
Director compensation (non-Executive):		
Salaries and consulting fees	$ -	$ 52,875
Share-based compensation	-	17,501
	$ -	$ 70,376
Management compensation:		
Salaries and management fees	$ 75,833	$ 342,090
Share-based compensation	-	191,653
	$ 75,833	$ 533,743
	$ 75,833	$ 604,119

c) During the Nine Months ended December 31, 2020 most executive contracts were terminated and severance pay of $609,375 was accrued. On October 2, 2020 TLP entered bankruptcy and $544,375 payable to past executive was written off, a settlement agreement of approximately $0.10 per dollar was approved for TLB and $229,514 was written down.

13. SHARE CAPITAL

a) Authorized

Unlimited Common voting shares with no par value

b) Issued

The company completed a consolidation of its shares effective December 10, 2020, with a record date of December 11, 2020. Prior to the Consolidation, the Company had 102,370,431 pre-consolidation Shares issued and outstanding. Following the Consolidation, the Company has approximately 11,374,492 post-consolidation Shares issued and outstanding.

The Company had the following share capital transactions during the nine-month period ended December 31, 2020.

a. Pursuant to the amalgamation undertaken to reacquire TLC and TLI which had been acquired by the Acquisition Cos as part of the Company's proposals to its creditors and restructuring under the Bankruptcy and Insolvency Act (Canada), the Company issued 17,416,980 post-consolidated common shares at a deemed price of $0.375 per share to the shareholders of the Acquisition Cos

The Company had the following share capital transactions during the nine-month period ended December 31, 2019:

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

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

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

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

		Number of Warrants	Weighted Average Exercise Price $
Balance, March 31, 2019		**1,199,340**	**4.59**
	Warrants expired	(228,557)	3.6
	Warrants exercised	(167,509)	3.24
	Warrants cancelled	(83,037)	3.24
	Warrants issued	240,000	1.89
Balance, March 31, 2020		**960,238**	**0.49**
	Warrants expired	(95,238)	9.45
Balance, December 31, 2020		**865,000**	**0.43**

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

Number of Warrants	Price ($)	Expiry Date
625,000	4.59	February 21, 2022
240,000	1.89	October 7, 2022
865,000		

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.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

d) Stock options (Continued)

Stock option transactions are summarized as follows:

		Number of Options	Weighted Average Exercise Price
Balance, March 31, 2019		**869,444**	**5.13**
	Stock options granted	120,556	2.61
	Stock options exercised	(77,778)	3.60
	Stock options expired	(172,222)	3.60
	Stock options forfeited	(147,222)	5.76
Balance, March 31, 2020		**592,778**	**5.13**
	Stock options forfeited	(234,074)	5.94
Balance, December 31, 2020		**358,704**	**4.59**

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

Number of Options Outstanding	Exercisable	Exercise Price ($)	Expiry Date
66,667	66,667	8.46	February 6, 2023
36,111	36,111	4.50	July 31, 2023
33,333	11,110	5.04	September 10, 2023
137,037	90,741	5.04	March 6, 2024
27,778	27,778	5.49	March 21, 2024
57,778	5,556	2.61	July 25, 2024
358,704	**237,962**		

During the nine months ended December 31, 2020, the Company recorded share-based compensation of $309,179 (2019: $665,973) relating to the stock options.

(Expressed in Canadian dollars)

14. ADMINISTRATIVE AND OFFICE EXPENSE

	Nine months ended December 31,			
		2020		2019
Accounting and legal	$	760,001	$	380,492
Director fees		-		45,229
Filing fees		34,405		51,708
Insurance		241,580		166,549
Transaction costs & interest expense		594,601		168,232
Office and other		108,262		139,538
Property tax expense		157,287		84,777
Rent		5,286		37,450
Transfer agent		3,678		51,708
Travel and meals		243		57,528
Utilities		20,360		23,129
Consulting fees		417,365		157,088
Wages and salaries		444,980		767,305
Total administrative and office expense	**$**	**2,788,048**	**$**	**2,130,733**

15. SELLING AND MARKETING EXPENSE

	Nine Months Ended December 31,			
		2020		2019
Investor Relations	$	19,795	$	271,927
Public Relations		37,615		97,470
Total selling and marketing	**$**	**57,410**	$	369,397

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 December 31, 2020:

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 December 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 miscellaneous receivables related to passive rent.

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 December 31, 2020, the Company had cash and cash equivalents and short term investments of $128,762 (March 31, 2020 - $353,975) to settle current liabilities of $5,555,671 (March 31, 2020 - $7,832,644). The Company has exited creditor protection proceedings (Note 1).

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

Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company was 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 were denominated in U.S. dollars. The results of the Company's operations are subject to currency translation and transaction risks.

On September 11, 2020 the assets of TLP and shares of TLPE were sold, the company no longer has exposure to foreign currency risk.

At December 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 December 31, 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, a first and second mortgage 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 nine months ended December 31, 2020.

17. COMMITMENTS

The Company had the no commitments as of December 31, 2020. 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 December 31, 2020:

1) The Company engaged a contractor to complete a 128 light grow area within the existing building and committed to a 20% deposit of $219,008. After change orders the deposit was $244,085 and was paid in full.
2) The Company completed a private placement targeted at $1,000,000 on February 26, 2020. The offering was over subscribed with gross proceeds of $1,534,419 through the sale of 4,262,436 common shares priced at $0.36 per share. The Company paid finder's fees of $104,900 in connection with the offering.
3) The Company issued 222,222 Common shares at $0.36 per share to a contractor for consulting services on February 4, 2021.