

**Maven Brands Inc.**  
**(Formerly True Leaf Brands Inc.)**  
**Consolidated Financial Statements**  
**For the Years ended March 31, 2022 and 2021**  
(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Maven Brands Inc.  
(Formerly True Leaf Brands Inc.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Maven Brands Inc. (formerly True Leaf Brands Inc.) (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that during the year ended March 31, 2022, the Company incurred a loss of \$2,464,941 and has an accumulated deficit of \$39,355,141 and a working capital deficiency of \$5,898,279. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

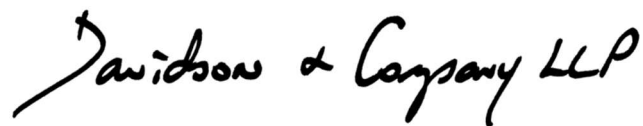
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 29, 2022

**MAVEN BRANDS INC.**  
**(Formerly True Leaf Brands Inc.)**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

	Notes	March 31, 2022	March 31, 2021
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 187,898	\$ 480,833
Trade and other receivables	6	20,300	175,655
Prepaid expenses and deposits	8	140,466	394,353
Assets held for sale	9	279,709	-
		628,373	1,050,841
Property, plant and equipment	9	4,390,997	4,488,653
Intangible assets	10	50,352	63,255
<b>Total assets</b>		<b>\$ 5,069,722</b>	<b>\$ 5,602,749</b>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		\$ 426,652	\$ 506,423
Mortgages payable	11	6,100,000	4,700,000
		6,526,652	-
Deferred Income tax payable	21	63,000	-
<b>Total liabilities</b>		<b>6,589,652</b>	<b>5,206,423</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	14	32,371,008	32,083,412
Reserves		5,464,203	5,203,114
Deficit		(39,355,141)	(36,890,200)
<b>Total shareholders' equity (deficiency)</b>		<b>(1,519,930)</b>	<b>396,326</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 5,069,722</b>	<b>\$ 5,602,749</b>

**Nature of operations and going concern (Note 1)**

**Subsequent events (Note 24)**

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

Approved on behalf of the Board of Directors on July 29, 2022

\_\_\_\_\_  
*"Darcy Bomford"*

Director

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*"Michael Harcourt"*

Director

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

**MAVEN BRANDS INC.**  
**(Formerly True Leaf Brands Inc.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

	Notes	Years ended March 31,	
		2022	2021
<hr/>			
Operating Expenditures			
Administrative and office	16	\$ 2,009,447	\$ 3,235,912
Amortization and depreciation	9, 10	133,877	118,382
Selling and marketing	17	197,468	87,714
Share-based compensation	14	288,680	577,161
Total operating expenditures		2,629,472	4,019,169
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Loss from operations		(2,629,472)	(4,019,169)
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Other income	15	218,067	282,639
Loss on debt modification	12	-	(4,617,486)
Gain on forgiveness of debt	5, 12	9,373	866,739
Foreign exchange gain		91	24,005
Net loss from continued operations		<b>(2,401,941)</b>	<b>(7,463,272)</b>
Loss and comprehensive loss from discontinued operations	5	-	(1,179,854)
Gain on disposal of discontinued operations	5	-	2,419,787
Income tax expense	21	(63,000)	-
Loss for the year		\$ (2,464,941)	\$ (6,223,339)
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Weighted average number of common shares outstanding – basic and diluted *		34,051,138	17,053,455
Loss per common share, discontinued operations - basic and diluted		(\$0.00)	(\$0.07)
Loss per common share, continued operations – basic and diluted		(\$0.07)	(\$0.44)

**\*Prior year Weighted average number of common shares outstanding has been restated to reflect the effects of consolidation completed December 11, 2020**

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

**MAVEN BRANDS INC.**  
**(Formerly True Leaf Brands Inc.)**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
(Expressed in Canadian dollars)

	<u>Number of Shares</u>	<u>Share Capital</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total Shareholders' Equity (Deficit)</u>
<b>Balance, March 31, 2020</b>	11,374,555	\$ 23,962,363	\$ 4,625,953	\$ (30,666,861)	\$ (2,078,545)
Share-based compensation	-	-	577,161	-	577,161
Shares issued to settle debt	17,639,202	6,611,368	-	-	6,611,368
Shares Issued for cash	4,262,436	1,534,479	-	-	1,534,479
Share issue costs	-	(99,796)	-	-	(99,796)
Bonus Shares	176,882	74,998	-	-	74,998
Loss for the year	-	-	-	(6,223,339)	(6,223,339)
<b>Balance, March 31, 2021</b>	<b>33,453,075</b>	<b>\$ 32,083,412</b>	<b>\$ 5,203,114</b>	<b>\$ (36,890,200)</b>	<b>\$ 396,326</b>
Share-based compensation	-	-	257,179	-	257,179
Shares issued to settle debt	91,346	23,750	-	-	23,750
Shares issued for cash	1,346,442	242,360	-	-	242,360
Finders warrants	-	(3,910)	3,910	-	-
Share issue costs	-	(6,105)	-	-	(6,105)
Bonus shares	150,003	31,501	-	-	31,501
Loss for the year	-	-	-	(2,464,941)	(2,464,941)
<b>Balance, March 31, 2022</b>	<b>35,040,866</b>	<b>\$ 32,371,008</b>	<b>\$ 5,464,203</b>	<b>\$ (39,355,141)</b>	<b>\$ (1,519,930)</b>

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

**MAVEN BRANDS INC.**  
**(Formerly True Leaf Brands Inc.)**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

	Notes	Years ended March 31,	
		2022	2021
<b>Operating activities</b>			
Loss for the year from continuing operations		\$ (2,464,941)	\$ (7,463,272)
Items not affecting cash			
Non cash interest expense		-	885,973
Amortization and depreciation	9, 10	133,877	118,346
Loss on debt modification		-	(4,617,486)
Gain on forgiveness of debt		-	866,739
Share-based compensation	14	288,680	577,161
Deferred Income Tax Payable	21	63,000	-
Changes in non-cash working capital items			
Prepaid expenses and deposits	8	113,713	(78,504)
Accounts payable and accrued liabilities		(56,022)	(1,466,753)
Due to related parties	13	-	3,480,625
Inventories	7	-	(30,159)
Trade and other receivables	6	155,355	(25,331)
Net cash used in operating activities		(1,766,338)	(7,752,661)
<b>Investing activities</b>			
Additions to property, plant and equipment	9	(160,267)	(123,117)
Intangible asset costs	10	(2,585)	(9,649)
Sale of short-term investments		-	51,750
Net cash used in investing activities		(162,852)	(81,016)
<b>Financing activities</b>			
Proceeds from share issue	14	242,360	8,121,049
Share issue costs	14	(6,105)	-
Proceeds of mortgage	11	1,400,000	4,700,000
Settlement of debt	12	-	(4,721,784)
Net cash provided by financing activities		1,636,255	8,099,265
Change in cash and cash equivalents - continued operations		(292,935)	265,588
Change in cash - discontinued operations		-	(86,980)
Cash and cash equivalents, beginning of the year (including discontinued operations)		480,833	302,225
Cash and cash equivalents, end of the year		\$ 187,898	\$ 480,833
<b>Supplemental Cash Flow Information (Note 23)</b>			

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



**MAVEN BRANDS INC.**  
**(Formerly True Leaf Brands Inc.)**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2022**  
(Expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Maven Brands Inc. (formerly True Leaf Brands Inc.) (“TLB”) (the “Company” or “Maven”) 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”), Maven Cannabis Inc. (“MCI”), True Leaf Pet Inc. (“TLP”), Lind Asset Management XV-II LLC (“Lind”), 1279166 B.C. Ltd (“Amalco”) and True Leaf USA (“TL USA”)

On October 29, 2021 the Company changed its name to Maven Brands Inc. from True Leaf Brands Inc. On November 1, 2021 the name of its subsidiary, Maven Cannabis Inc. was changed from True Leaf Cannabis Inc. The legal and organizational structure was not altered as part of these name changes.

In December 2020 through a series of transactions described below under Refinancing Agreement, the Company acquired 100% of the outstanding shares of Lind Asset Management XV-II LLC through the acquisition of its parent company and the subsequent amalgamation of the parent company with a newly formed subsidiary of Maven, Amalco.

The Company’s shares trade on the Canadian Securities Exchange (the “CSE”) under the symbol “MJ”, the OTC Market Group’s OTC-PINK 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 #32 – 100 Kalamalka Lake Road, Vernon BC, V1T 9G1.

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

***Going Concern***

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

For the year ended March 31, 2022, the Company incurred a loss of \$2,464,941 and has a deficit of \$39,355,141 and a working capital deficiency of \$5,898,279. The Company earned revenues of \$11,276 from sales of bulk dried cannabis flower. Operations were suspended after final license requirements in operations were completed in August 2021. The Company requires a cash injection to begin full production of packaging dried cannabis flower.

The Company had two mortgages due on December 1, 2021 which total \$4,700,000. The Company renewed both mortgages and increased the mortgage amounts for additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures (Note 11).

In September 2021 the Company listed for sale subject to the completion of subdivision, six lots for a gross list price of \$6,381,150. As of March 31, 2022 no lots had sold and the subdivision was yet to be completed and lots registered. In March 2022 at the Company’s Annual General Meeting shareholders gave their approval of alternative plans to sell and lease back the Cannabis facility.

There can be no assurances that alternatives will be available or available on terms that are acceptable to the Company. These undertakings and planned transactions, while significant, may not be sufficient in and of themselves to enable the Company to fund all aspects of its operations. The Company’s ability to continue as a going concern is dependent on successfully liquidating idle land assets or finding alternative sources of financing. Accordingly, management continues to pursue other alternatives to fund the Company’s operations and reduce costs so it can continue as a going concern, such as:

- Reduction of headcount and restructuring the organization to right size to future operating and administrative needs;
- Minimizing the Company’s reliance on third party service providers and professional fees; and
- Liquidating the Company’s excess real estate assets,

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**1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)**

***Going Concern (Continued)***

The Company may be unable to realize its value from assets or discharge its liabilities in the normal course of business and may incur significant dilution to the holdings of existing shareholders in any restructuring or financing process and ultimately may be required to seek relief under a court-approved restructuring or liquidation process.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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 prices. 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.

***Corona Virus (COVID-19)***

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. 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. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. 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.

Inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties related to the COVID19 pandemic and the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments estimates and assumptions includes the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal). Actual results may differ materially from these estimates.

**MAVEN BRANDS INC.**  
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**Notes to Consolidated Financial Statements**  
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(Expressed in Canadian dollars)

**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 July 29, 2022.

(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
- Lind– Inactive
- 1279166 BC Ltd. – Inactive
- MCI – Active
- TL USA - Inactive

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 18) and fair value less cost to sell (Note 5). In addition these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of each of the entities in the group is the Canadian dollar. The functional currency determinations were conducted through an analysis of the factors identified in International Accounting Standard (“IAS”) 21, The Effects of Changes in Foreign Exchange Rates.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Financial instruments

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

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

(i) Financial assets at amortized cost

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

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

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

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

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

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

(iv) Impairment and Write-off

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

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

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(iv) Impairment and Write-off (Continued)

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

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

(v) Financial liabilities and equity

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

(vi) Compound instruments

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

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

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

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b) Financial instruments (Continued)

(vii) Financial liabilities

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

(viii) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

(ix) Financial liabilities measured subsequently at amortized cost

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

(x) Foreign exchange gains and losses

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

(xi) Derecognition of financial liabilities

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b) Financial instruments (Continued)

(xii) Derivative financial instruments

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

(xiii) Embedded derivatives

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in Canadian banks. The Company has a cash and cash equivalent balance at March 31, 2022 of \$187,898 (2021: \$480,833).

(d) Inventories

Inventories included finished goods and supplies in respect of hemp-based nutrition for pets. The classification of inventories is determined by the stage in the manufacturing process. Finished goods inventories are valued based on the lower of actual production costs incurred or estimated net realizable value. Production costs include all direct manufacturing costs, freight, labour and other costs to deliver inventory to distribution locations. Cost is determined using the weighted average cost basis. Supplies are valued at the lower of average cost or net realizable value. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances that caused it no longer exist.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) Assets held for sale and discontinued operations

(i) Assets held for sale:

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

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

(ii) Discontinued operations:

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

(f) Property, Plant and Equipment

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

Building – 10 to 40 years

Leasehold improvements – 5 years

Office furniture and equipment – 5 years

The Company's capital assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.



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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(g) Intangible assets

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

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

Trademarks and related costs – 5 to 10 years

Website costs – 3 years

Intellectual property – 5 years

(h) Impairment of non-financial assets

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

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(j) Share capital

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

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

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

(k) Share-based payments

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

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

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

(l) Earnings (loss) per share

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

(m) Revenue recognition and related costs

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(n) Cost of sales

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

(o) Selling and marketing

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

(p) Grants and Subsidies

Government grants and subsidies are recognized as revenue on an accrual basis when it is reasonably assured that the funds will be received and have been earned to match them with the related costs, for which they are intended to compensate, on a systematic basis.

(q) Income taxes

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

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

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

(r) Segmented information

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

(s) Adoption of New IFRS Pronouncements

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors contains a general requirement that changes in accounting policies are retrospectively applied, but this does not apply to the extent an individual pronouncement has specific transitional provisions. IAS 33 Earnings Per Share requires basic and diluted EPS to be adjusted for the impacts of adjustments result from changes in accounting policies accounted for retrospectively and IAS 8 requires the disclosure of the amount of any such adjustments. There were no changes in accounting policies during the year.

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#### **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:

- 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 statements of loss and comprehensive loss.

(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.

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**5. DISCONTINUED OPERATIONS**

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

On April 2, 2020, TLB and its Canadian 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 for True Leaf Pet Inc, a subsidiary of TLB (“TLP”) & MCI, 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 had two groups of assets. The TLP assets are one cash-generating unit and include the shares of TLP’s subsidiary, True Leaf Pet Europe S.A.R.L. (“TLPE”), accounts receivable, prepaid expenses, inventory as well as tangible and intangible property, plant and equipment. MCI’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 the sale of TLP assets, including the shares of TLPE was completed and all held for sale assets were sold for \$300,000 less working capital adjustments of \$61,216. There were no liabilities directly associated with the assets held for sale as at March 31, 2020. After the stay of proceeding expired October 2, 2020 for TLP it was considered bankrupt and a gain on disposal of \$2,419,787 was recognized in income.

For the year ended March 31, 2021 income arising from discontinued operations include the operating income of TLP and TLPE is as follows:

	<b>TLP</b>	<b>TLPE</b>	<b>Total March 31, 2021</b>
Sales	\$ 337,195	\$ 707,364	\$ 1,044,559
Cost of sales	92,530	487,613	580,143
Gross Profit	244,665	219,751	464,416
Operating Expenditures			
Administrative and office	674,461	572,659	1,247,120
Inventory write-down	-	8,230	8,230
Selling and marketing	154,287	234,633	388,920
Total operating expenditures	828,748	815,522	1,644,270
Loss for the year	\$ (584,083)	\$ (595,771)	\$ (1,179,854)

On October 1, 2020 TLB filed its proposal to exit the BIA Process which was subsequently approved by creditors on October 20, 2020 and approved by the courts in an order dated December 2, 2020 for a distribution of \$85,000 to the unsecured creditors of the Company. The resulting gain on the settlement of debt of \$866,739 was recognized in income for the year.

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**6. TRADE AND OTHER RECEIVABLES**

	March 31, 2022	March 31, 2021
Miscellaneous receivables	\$ -	\$ 7,934
Goods and services tax receivable	20,300	167,721
	<b>\$ 20,300</b>	<b>\$ 175,655</b>

At March 31, 2021 miscellaneous receivables included \$7,934 in eligible wage subsidies under the Canadian Emergency Wage Subsidy program.

**7. INVENTORY AND BIOLOGICAL ASSETS**

Inventory includes dry cannabis available for packaging that is grown or purchased in bulk, packaged dried cannabis and packaging materials. The table below outlines inventory values as at March 31, 2022:

	Capitalized Cost	Inventory Impairment	Carrying Value
Dry Cannabis			
Packaged Inventory	8,126	(8,126)	-
<b>Total Inventory</b>	<b>\$ 8,126</b>	<b>\$ (8,126)</b>	<b>\$ -</b>

The Company packaged two batches of 7 gram units to submit its two batch sales amendment to Health Canada to allow it to sell into the provinces cannabis stores in August 2021. Management determined that the cannabis is now past its expected shelf life and expensed it, along with the cost to package to cost of sales.

**8. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2022	March 31, 2021
Insurance premiums	\$ 10,828	\$ 9,433
Prepaid Interest Reserve	8,333	-
Other	82,095	284,843
<b>Total prepaid expenses</b>	<b>\$ 101,256</b>	<b>\$ 294,276</b>
Construction deposits	39,210	100,077
<b>Total deposits</b>	<b>39,210</b>	<b>100,077</b>
<b>Total prepaid expenses &amp; deposits</b>	<b>\$ 140,466</b>	<b>\$ 394,353</b>

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**8. PREPAID EXPENSES AND DEPOSITS (Continued)**

As at March 31, 2022, prepaid expenses include a deposit of \$39,210 (March 31, 2021 - \$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. Other prepaid deposits include the following:

	March 31, 2022	March 31, 2021
Prepaid legal & trustee fees	\$ -	\$ 51,988
Subscriptions & licenses	473	-
Excise Tax Deposit	5,000	-
Clone Prepayment	20,000	21,115
Renovation deposit (note 9)	56,622	211,740
<b>Total Other</b>	<b>\$ 82,095</b>	<b>\$ 284,843</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

Cost:	Land	Buildings	Leasehold Improvements	Office Furniture	Equipment	Total
Balance, March 31, 2020	\$ 801,192	\$ 3,627,169	\$ 95,676	\$ 3,246	\$ 63,675	\$ 4,590,958
Additions	-	118,261	-	-	4,890	123,151
Balance, March 31, 2021	801,192	3,745,430	95,676	3,246	68,565	4,714,109
Additions	-	140,091	-	2,649	18,168	160,908
Classified as held for sale	(140,175)	-	-	-	-	(140,175)
<b>Balance March 31, 2022</b>	<b>\$ 661,017</b>	<b>\$ 3,885,521</b>	<b>\$ 95,676</b>	<b>\$ 5,895</b>	<b>\$ 86,733</b>	<b>\$ 4,734,842</b>
<b>Accumulated depreciation:</b>						
Balance, March 31, 2020	\$ -	\$ 45,339	\$ 58,912	\$ 1,090	\$ 3,181	\$ 108,522
Depreciation for the year	-	90,680	19,135	649	6,470	116,934
Balance, March 31, 2021	-	136,019	78,047	1,739	9,651	225,456
Depreciation for the year	-	90,679	17,629	1,126	8,955	118,389
<b>Balance March 31, 2022</b>	<b>\$ -</b>	<b>\$ 226,698</b>	<b>\$ 95,676</b>	<b>\$ 2,865</b>	<b>\$ 18,606</b>	<b>\$ 343,845</b>
<b>Carrying value:</b>						
As at March 31, 2021	\$ 801,192	\$ 3,609,411	\$ 17,629	\$ 1,507	\$ 58,914	\$ 4,488,653
<b>As at March 31, 2022</b>	<b>\$ 661,017</b>	<b>\$ 3,658,823</b>	<b>\$ -</b>	<b>\$ 3,030</b>	<b>\$ 68,127</b>	<b>\$ 4,390,997</b>

On August 25, 2021 the Company listed for sale approximately 7 acres of excess land of its 40 acre parcel in Lumby BC for sale as future subdivided lots. The Company classified the proportionate value of the land as held for sale.

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**10. INTANGIBLE ASSETS**

<b>Cost:</b>	<b>Website</b>		<b>Trademarks and related costs</b>		<b>Total</b>
Balance, March 31, 2020	\$	17,813	\$	46,354	\$ 64,167
Additions		9,649		1,686	11,335
Balance, March 31, 2021		27,462		48,040	75,502
Additions		-		2,585	2,585
<b>Balance March 31, 2022</b>	<b>\$</b>	<b>27,462</b>	<b>\$</b>	<b>50,625</b>	<b>\$ 78,087</b>
<b>Accumulated amortization:</b>					
Balance, March 31, 2020	\$	10,801	\$	-	\$ 10,801
Amortization for the year		1,446		-	1,446
Balance, March 31, 2021		12,247		-	12,247
Amortization for the year		5,494		9,994	15,488
<b>Balance March 31, 2022</b>	<b>\$</b>	<b>17,741</b>	<b>\$</b>	<b>9,994</b>	<b>\$ 27,735</b>
<b>Carrying value:</b>					
As at March 31, 2021	\$	15,215	\$	48,040	\$ 63,255
<b>As at March 31, 2022</b>	<b>\$</b>	<b>9,721</b>	<b>\$</b>	<b>40,631</b>	<b>\$ 50,352</b>

**11. MORTGAGES PAYABLE**

The Company entered into two debt agreements as part of the restructuring that completed the BIA Process to settle its convertible notes and other debts. 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 for a term of one year payable December 12, 2021 bearing interest of 10%. Interest only payment are due on the first day of each month.
- 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 for a term of one year payable December 12, 2021 bearing interest of 12%. Interest only payments are due on the first day of each month.

On December 12, 2020 the Refinancing Agreement was executed and the Lind debt was settled using 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 and was released of the balance of any obligation under the Convertible Note agreement. The remaining funds from the new mortgages were used to pay obligations to unsecured creditors and transaction costs. For the year ended March 31, 2022 the Company incurred \$569,667 (2021- \$240,000) in interest expense related to these mortgages.



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**11. MORTGAGES PAYABLE (Continued)**

On October 5, 2021 the Company negotiated an early renewal of its Second Mortgage extending it to November 1, 2022 and increasing the loan amount to \$2,100,000, all other terms remained the same. On October 25, 2021 the Company negotiated an early renewal of its First Mortgage extending it to February 1, 2023 and increasing the loan amount to \$4,000,000, all other terms remained the same. Both renewals were completed on October 29, 2021. The proceeds of the renewal after legal and renewal fees was \$1,264,653, of that \$326,000 was held in interest reserve and \$320,000 was reserved for lot servicing of the Company's subdivision.

	March 31, 2022	March 31, 2021
Opening balance of loan	\$ 4,700,000	\$ -
Draws	1,400,000	4,700,000
<b>Total</b>	<b>\$ 6,100,000</b>	<b>\$ 4,700,000</b>

**12. CONVERTIBLE NOTES**

On February 21, 2019, the Company completed a private placement of secured convertible notes for gross proceeds of \$4,500,000. 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.

The investor also received 5,625,000 (post-consolidation 625,000) warrants as part of this convertible debenture, entitling the investor to purchase one common share at an exercise price, pre-consolidation, of \$0.5089 (post consolidation \$4.59) 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 (post consolidation \$9.16) 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 (post consolidation \$13.74) 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 value 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.

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**12. CONVERTIBLE NOTES (Continued)**

On October 7, 2019, the Company completed a waiver, amendment and funding agreement supplement (the “Waiver”) for the Convertible Security Funding Agreement (“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 (post consolidation \$1.89) 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 (post consolidation \$1.89), for a period of 36 months from the date of issue.

On March 23, 2020, Lind Asset Management served the Company with a Default Notice demanding the payments due under the Funding Agreements. Both funding agreements stipulate that at the date of an Event of Default the interest payable on the Convertible Security will be at a rate of 15% per annum compounded monthly and all amounts become immediately due. During the year ended March 31, 2021 interest expense of \$615,958 related to this debt.

On December 9, 2020 in conjunction with the Share Capital Reorganization (Note 1) the Company recorded the following debt modification to retired debts to Lind:

Debt Modification:

Note 1 principle	\$	5,300,000
Note 1 accumulated interest payable		583,000
Note 2 principle		540,000
Note 2 accumulated interest payable		52,425
Debtor in protection ("DIP") loan		700,000
DIP interest		30,015
	\$	7,205,440
Proceeds - sale of TLI		(10,000)
Proceeds - sale of TLP		(238,784)
Outstanding balance at modification date	\$	6,956,656
Replacement Debt:		4,700,000
Fees		420,774
Shares issued		6,453,368
Loss on debt modification	\$	(4,617,486)

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**13. RELATED PARTY BALANCES AND TRANSACTIONS**

a) Goods and services

The Company had paid or payable to the Chief Executive Officer for office space rental \$29,262 for the year ended March 31, 2022 (2021 - \$20,300).

b) Compensation of key management personnel

The Company considered its key management personnel to be Directors, Chief Executive Officer, Chief Financial Officer and Vice Presidents.

	Year ended March 31,	
	2022	2021
Director compensation (non-Executive):		
Share-based compensation	\$ 51,436	\$ -
	\$ 51,436	\$ -
Management compensation:		
Salaries and management fees	\$ 253,011	\$ 75,833
Share-based compensation	215,743	-
	\$ 468,754	\$ 75,833
	\$ 520,190	\$ 75,833

**14. SHARE CAPITAL**

a) Authorized

Unlimited Common voting shares with no par value

b) Issued

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

1. The Company completed a share consolidation on a basis of 9:1 on December 11, 2020.
2. The Company issued 17,416,980 post consolidation common shares in connection with the BIA process and for the acquisition of its previously owned subsidiary (Note 1) at a value of \$0.375 per share.
3. The Company issued 4,262,436 common shares at a prices of \$0.36 per share for proceeds of \$1,534,479.
4. The company issued 222,222 common shares to settle debt at a deemed price of \$0.36 and recorded \$80,000 as an addition to share capital.
5. The Company issued 176,882 common shares to employees and contractors as bonus payments and recorded \$74,998 as a share-based compensation expense, with the same amount as an addition to share capital.
6. Stock based compensation of \$577,161 was recognized due to stock options granted and vested during the year.

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**14. SHARE CAPITAL (Continued)**

The Company had the following share capital transactions during the year ended March 31, 2022:

1. The Company issued 91,346 common shares to settle debt at a deemed price of \$0.26 and recorded \$23,750 as an addition to share capital
2. The Company issued 1,346,442 common shares at a price of \$0.18 per share and 673,221 warrants at a price of \$0.27 for proceeds of \$242,360. In addition, 33,360 finders' warrants with a fair value of \$3,910 were issued as part of the transaction.
3. The Company issued 150,003 common shares to employees and contractors as bonus payments and recorded \$31,501 as a share-based compensation expense, with the same amount as an addition to share capital.
4. Stock based compensation of \$257,179 was recognized due to stock options granted and vested during the year.

c) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price \$
<b>Balance, March 31, 2020</b>	<b>960,238</b>	<b>4.40</b>
Warrants expired	(95,238)	9.45
<b>Balance, March 31, 2021</b>	<b>865,000</b>	<b>3.84</b>
Warrants issued	706,581	0.27
Warrants expired	(625,000)	4.59
<b>Balance, March 31, 2022</b>	<b>946,581</b>	<b>0.68</b>

As at March 31, 2022, the following share purchase warrants are outstanding:

Number of Warrants	\$	Expiry Date
240,000	1.89	October 7, 2022
706,581	0.27	November 19, 2023
<b>946,581</b>		

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 exercise price 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.

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**14. SHARE CAPITAL (Continued)**

d) Stock options (Continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price \$
<b>Balance, March 31, 2020</b>	<b>592,778</b>	<b>5.12</b>
Stock options cancelled	(403,334)	(4.80)
Stock options granted	600,000	0.54
<b>Balance, March 31, 2021</b>	<b>789,444</b>	<b>1.80</b>
Stock options granted	875,000	0.38
<b>Balance, March 31, 2022</b>	<b>1,664,444</b>	<b>1.05</b>

As at March 31, 2022, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Exercisable	Exercise Price \$	Expiry Date
44,444	44,444	8.46	February 6, 2023
8,334	8,334	4.50	July 31, 2023
133,333	133,333	5.04	March 6, 2024
3,333	3,333	2.61	July 25, 2024
600,000	450,000	0.54	March 8, 2026
875,000	875,000	0.38	June 16, 2026
<b>1,664,444</b>	<b>1,514,444</b>		

During the year ended March 31, 2022, the Company recorded share-based compensation of \$257,179 (2021: \$577,161) relating to the stock options. Share-based compensation is measured at fair value at the date of grant and are expensed over the vesting period. In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted at grant date by applying the following assumptions for options granted during the years ended March 31, 2022 and 2021:

	Year ended March 31,	
	2022	2021
Exercise price	\$ 0.38	\$ 0.54
Market price	\$ 0.37	\$ 0.53
Risk-free interest rate	0.87%	1.39%
Expected life (years) of option:	5	5
Volatility	112.78%	114.01%

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**15. OTHER INCOME**

The Company earns rental revenue from tenants in month-to-month tenancy agreements for buildings on the Company property that are not utilized for operations. The Company also received the Canada Emergency Wage Subsidy and recognized these revenues as Other Income in the financial statements. Below are the details of all Other Revenue generated:

	Year ended March 31,	
	2022	2021
Government wage subsidies	\$ 126,320	\$ 215,666
Rental income	80,471	66,973
Bulk cannabis sales	11,276	-
<b>Total</b>	<b>\$ 218,067</b>	<b>\$ 282,639</b>

**16. ADMINISTRATIVE AND OFFICE EXPENSE**

	Year ended March 31,	
	2022	2021
Accounting and legal	\$ 158,419	\$ 511,471
Filing fees	20,761	37,600
Insurance	59,930	258,034
Transaction costs & interest expense	569,667	912,581
Office and other	394,903	194,989
Property tax expense	210,647	198,582
Rent	29,262	12,724
Transfer agent	9,094	6,523
Travel and meals	15,445	555
Utilities	42,465	34,487
Consulting fees	126,237	440,401
Wages and salaries	372,617	627,965
<b>Total administrative and office</b>	<b>\$ 2,009,447</b>	<b>\$ 3,235,912</b>

**17. SELLING AND MARKETING EXPENSE**

	Year ended March 31,	
	2022	2021
Advertising	\$ 53,321	\$ 9,455
Investor Relations	113,647	23,168
Public Relations	30,500	55,091
<b>Total selling and marketing</b>	<b>\$ 197,468</b>	<b>\$ 87,714</b>

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## **18. FINANCIAL INSTRUMENTS AND RISK**

### **Fair Value**

Financial instruments recorded at fair value on the consolidated statements 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 mortgages payable approximates their fair value because of the short-term nature of these instruments. The fair values of cash and cash equivalents are measured based on level 1 inputs of the fair value hierarchy.

### **Risk**

The Company is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of March 31, 2022:

#### Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks.

At March 31, 2022, the Company's exposure to credit risk consists of the carrying value of cash and cash equivalents and prepaid expenses. The Company limits its credit exposure on cash by holding its deposits with established financial institutions.

#### Liquidity risk

Liquidity risk arises from our general and capital financing needs with respect to future growth. Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at March 31, 2022, the Company has cash and cash equivalents of \$187,898 (March 31, 2021 - \$480,833) to settle current liabilities of \$6,526,652 (March 31, 2021 - \$5,206,423).

#### Currency risk

The Company operates primarily in Canadian dollars and as such is not significantly affected by the fluctuations of the Canadian dollar with other currencies

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risk from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. As at March 31, 2022, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

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**19. CAPITAL MANAGEMENT**

Capital Management

The Company's capital includes share capital, cash, the mortgages, and the accumulated deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. The Company has not changed its approach to capital management during the year ended March 31, 2022.

**20. COMMITMENTS**

The Company had no commitments as at March 31, 2022.

**21. INCOME TAX**

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

	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Loss for the year	\$ (2,401,941)	\$ (6,223,339)
Expected income tax (recovery)	\$ (648,000)	\$ (1,835,000)
Change in statutory, foreign tax, foreign exchange rates and other	1,601,000	(37,000)
Permanent differences	114,000	727,000
Share issue cost	(40,000)	(118,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	258,000	624,000
Change in unrecognized deductible temporary differences	(1,222,000)	639,000
<b>Total income tax expense (recovery)</b>	<b>\$ 63,000</b>	<b>\$ -</b>

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

	March 31, 2022	March 31, 2021
Deferred tax liabilities		
Property, plant, and equipment	\$ (454,000)	\$ (360,000)
Intangible assets	(13,000)	(85,000)
Non-capital losses	404,000	445,000
<b>Net deferred tax liability</b>	<b>\$ (63,000)</b>	<b>\$ -</b>



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**21. INCOME TAX (Continued)**

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

	March 31, 2022	March 31, 2021
Deferred tax assets (liabilities)		
Property and equipment	\$ 88,000	\$ 1,180,000
Share issue costs	201,000	299,000
Allowable capital losses	1,972,000	-
Non-capital losses available for future period	3,176,000	5,180,000
	\$ 5,437,000	\$ 6,659,000
Unrecognized deferred tax assets	(5,437,000)	(6,659,000)
<b>Net deferred tax asset (liability)</b>	<b>\$ -</b>	<b>\$ -</b>

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

	March 31, 2022	Expiry Date Range	March 31, 2021
<b>Temporary Differences</b>			
Property and equipment	\$ 327,000	No expiry date	\$ 4,473,000
Share issue costs	746,000	2042 to 2046	1,107,000
Allowable capital losses	7,303,000	No expiry date	-
Non-capital losses available for future periods	11,761,000	2026 to 2041	20,008,000
Canada	\$ 12,068,000	2026 to 2041	\$ 18,161,000
Luxembourg	\$ -		\$ 1,847,000

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

**22. SEGMENTED INFORMATION**

The Company has one reportable segment for continued operations in Canada.

**23. Supplemental cash flow information**

The Company incurred the following non-cash investing and financing activities:

During the year ended March 31, 2022:

- Issued 91,346 common shares with a fair value of \$23,750 to settle debt.
- Issued 150,003 bonus shares with a fair value of \$31,501.
- In connection to a private placement, issued 33,360 finders' warrants with a fair value of \$3,910.
- Reclassified land with a carrying value of \$279,709 to assets held for sale.

During the year ended March 31, 2021:

- Issued 17,639,202 common shares with a fair value of \$6,611,368 to settle debt.
- Issued 176,882 bonus shares with a fair value of \$74,998.

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**24. SUBSEQUENT EVENTS**

On June 1, 2022 the Company agreed to conditions of a mortgage from a company owned by the CEO, secured against a steel building package owned by MBI for \$150,000 with a variable interest rate to be agreed on between the parties that is not to exceed 24% per annum. Funds were fully advanced by June 1, 2022.