

True Leaf Medicine International Ltd.
Consolidated Financial Statements
March 31, 2015
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Directors of
True Leaf Medicine International Ltd.

We have audited the accompanying consolidated financial statements of True Leaf Medicine International Ltd., which comprise the consolidated statements of financial position as at March 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the year ended March 31, 2015 and the period from July 4, 2013 to March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of True Leaf Medicine International Ltd. as at March 31, 2015 and 2014, and its financial performance and its cash flows for the year ended March 31, 2015 and the period from July 4, 2013 to March 31, 2014 in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about True Leaf Medicine International Ltd.'s ability to continue as a going concern.

Vancouver, Canada

July 27, 2015

“DAVIDSON & COMPANY LLP”

Chartered Professional Accountants

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	March 31, 2015	March 31, 2014
Assets		
Current assets		
Cash	\$ 37,286	\$ -
Prepaid expenses	3,750	4,000
Total current assets	41,036	4,000
Non-current assets		
Marketable securities (Note 6)	50	-
Capital assets (Note 7)	8,306	-
Total assets	\$ 49,392	\$ 4,000
 Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 122,934	\$ 19,252
Bank indebtedness	-	337
Due to related parties (Note 8)	32,093	61,616
Total liabilities	155,027	81,205
 Shareholders' equity (deficit)		
Share capital (Note 9)	2,046,933	12
Shares committed for issuance (Note 9)	24,000	-
Reserves	67,454	-
Deficit	(2,244,022)	(77,217)
Total shareholders' equity (deficit)	(105,635)	(77,205)
Total liabilities and shareholders' equity (deficit)	\$ 49,392	\$ 4,000

Nature of Operations and Going Concern (Note 1)

Commitments (Note 11)

Events After the Reporting Period (Note 14)

Approved on behalf of the Board of Directors on July 27, 2015

"Kevin Bottomley"

Director

"Darcy Bomford"

Director

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Year Ended March 31, 2015	Period from July 4, 2013 to March 31, 2014
Operating expenditures		
Accounting and legal (Note 8)	\$ 315,742	\$ 19,735
Administrative and office	145,907	9,079
Advertising and marketing	55,345	7,653
Consulting fees	164,880	40,750
Depreciation (Note 7)	1,099	-
Directors' fees (Note 8)	4,480	-
Management fees (Note 8)	50,000	-
Research	34,481	-
Share-based compensation (Notes 8 & 9)	22,254	-
Total operating expenditures	(794,188)	(77,217)
Foreign exchange loss	(266)	-
Listing expense (Note 5)	(49,949)	-
Transaction costs (Note 4)	(1,322,402)	-
Loss and comprehensive loss for the period	\$ (2,166,805)	\$ (77,217)
Loss per common share – basic and diluted	\$ (0.07)	\$ (202.14)
Weighted average number of common shares outstanding	31,654,820	382

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Number of Shares	Share Subscriptions Received	Shares Committed For Issuance	Share Capital	Reserves	Deficit	Total Shareholders' Equity (Deficit)
Balance, July 4, 2013	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Incorporation shares issued	382	-	-	12	-	-	12
Loss for the period	-	-	-	-	-	(77,217)	(77,217)
Balance, March 31, 2014	382	-	-	12	-	(77,217)	(77,205)
Shares issued on debt settlement	2,499,618	-	-	78,616	-	-	78,616
Share restructuring – TL Medicine	(2,500,000)	-	-	-	-	-	-
Share restructuring – TL Investments	350,000	-	-	-	-	-	-
Shares issued pursuant to Share Exchange	25,000,000	-	-	1,250,000	-	-	1,250,000
Finder's shares issued on acquisition of TL Medicine Inc.	550,000	-	-	27,500	-	-	27,500
Private placements, net of share issue costs	11,856,663	-	-	660,805	45,200	-	706,005
Shares issued pursuant to Plan of Arrangement	355,000	-	-	53,250	-	-	53,250
Share restructuring – TL Investments	(38,111,663)	-	-	-	-	-	-
Share restructuring – TL Medicine International	38,111,663	-	-	-	-	-	-
Cancellation of shares	(155,000)	-	-	(23,250)	-	-	(23,250)
Shares committed for issuance	38,111,663	-	24,000	-	-	-	24,000
Share-based compensation	-	-	-	-	22,254	-	22,254
Loss for the year	-	-	-	-	-	(2,166,805)	(2,166,805)
Balance, March 31, 2015	37,956,663	\$ -	\$ 24,000	\$ 2,046,933	\$ 67,454	\$ (2,244,022)	\$ (105,635)

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended March 31, 2015	Period from July 4, 2013 to March 31, 2014
Operating activities		
Loss for the period	\$ (2,166,805)	\$ (77,217)
Items not affecting cash:		
Depreciation	1,099	-
Listing expense	30,000	-
Transaction costs	1,322,402	-
Share-based compensation	22,254	-
Consulting fees to be settled in shares	24,000	-
Changes in non-cash working capital items:		
Prepaid expenses	250	(4,000)
Accounts payable and accrued liabilities	73,730	19,252
Due to related parties	34,093	61,616
Net cash used in operating activities	(658,977)	(349)
Investing activities		
Purchase of capital assets	(9,405)	-
Net cash used in investing activities	(9,405)	-
Financing activities		
Proceeds from issuance of share capital	745,500	12
Share issue costs	(39,495)	-
Net cash provided by financing activities	706,005	12
Change in cash for the period	37,623	(337)
	(337)	
Cash (bank indebtedness), beginning of the period		-
Cash (bank indebtedness), end of the period	\$ 37,286	\$ (337)

Supplemental disclosure with respect to cash flows (Note 12)

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
March 31, 2015
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

True Leaf Medicine International Ltd. (the "Company") 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. ("TL Investments") and True Leaf Medicine Inc. ("TL Medicine"). TL Investments and TL Medicine were both incorporated under the Business Corporations Act of the Province of British Columbia on March 26, 2014 and July 4, 2013 respectively. The Company's head office and registered office is located at Suite 1820, 925 West Georgia Street, Vancouver, BC V6C 3L2.

On May 23, 2014, TL Investments completed a Share Exchange Agreement with TL Medicine in which TL Investments issued 25,000,000 common shares valued at \$1,250,000 for all of the outstanding common shares of TL Medicine (Note 4). The Share Exchange Agreement constituted a reverse takeover, with the sole shareholder of TL Medicine acquiring a control position in TL Investments.

On February 2, 2015, the Company executed a Plan of Arrangement as further described in Note 5. The Plan of Arrangement constituted a reverse takeover, with the shareholders of TL Investments acquiring a control position in the Company. As a result of the Plan of Arrangement, the consolidated financial statements have been presented as a continuation of TL Medicine. On February 9, 2015, the Company began trading on the Canadian Securities Exchange (the "CSE") under the symbol "MJ".

The Company, through TL Medicine, is seeking to become a licensed producer of medical marijuana under Canada's *Marihuana for Medical Purposes Regulations* ("MMPR") program administered by Health Canada. As at March 31, 2015, the Company does not have a license with the MMPR and no products are in commercial production or use. The Company has not been granted an MMPR license and will be required to satisfy additional obligations in order to qualify including the completion of a compliant facility on a parcel of leased land in Lumby, British Columbia. There is a significant risk that the Company will not receive an MMPR license, thus rendering the Company unable to proceed with its business model. The Company continues to work diligently to comply with all of the requirements of Health Canada.

As the Company awaits approval of its license application from Health Canada it is looking at new opportunities with hemp-based nutrition for pets and is planning to enter the US and Canadian natural pet product market with a product line consisting of innovative hemp-based functional chews and supplemental products for pets (Note 14).

(a) Going Concern

These consolidated financial statements have been prepared on the 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, 2015, the Company incurred a loss of \$2,166,805 and has not earned any revenues since inception. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional funding through private placement financings. Management is of the opinion that it does not have sufficient working capital to fund future operations and will require external financing. There is a risk that financing will not be available on a timely basis or on terms acceptable to the Company. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
March 31, 2015
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Company prepared its consolidated financial statements 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 authorized for issue by its Directors on July 27, 2015.

(b) Consolidation

These consolidated 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. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries TL Investments and TL Medicine, both Canadian companies. All significant intercompany transactions and balances have been eliminated on consolidation.

(c) Basis of Measurement and Use of Estimates

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. All amounts on the consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration and shares determined to have been issued at a discount. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services. Prior to listing on the Exchange, the Company estimated the fair value of shares issued with reference to private placements with arm's length parties. The Company continues to be thinly traded and will continue this basis for measurement until such time that an active market is established for the Company's equity.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
March 31, 2015
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (cont'd...)

(i) Share-based payments and compensation (cont'd...)

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 fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

(ii) Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss," "loans and receivables," "available-for-sale," "held-to-maturity," or "financial liabilities measured at amortized cost" as follows:

i) Financial assets

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in net loss for the period in which such gains or losses occur. The Company's cash and marketable securities are classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest rate method. Under this method, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest income. The Company does not hold any financial assets that are classified as loans and receivables and no financial assets have been classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary. Upon disposal of an available-for-sale financial asset, any accumulated other comprehensive income or loss at the time of disposal is recognized in profit or loss. The Company does not hold any financial assets that have been classified as available-for-sale by the Company.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

ii) Financial liabilities

For financial liabilities classified as other financial liabilities measured at amortized cost using the effective interest rate method, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of the remaining cash flows, and this accretion is recorded as interest expense. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities measured at amortized cost, but as the terms of payment are generally of short duration, they are recorded at present value as the impact of discounting is immaterial.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and/or with original maturities of three months or less. As at March 31, 2015 and 2014, the Company did not hold any cash equivalents.

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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest.

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 share 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. When an option is cancelled or expires, the initial recorded value is reversed and charged to reserves.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the 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 loss per share 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.

Income taxes

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

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Fixed assets

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

Office equipment – 5 years

Website costs – 3 years

Costs incurred toward the construction of a research facility on the Company's leased land will be deferred and capitalized until the facility is considered substantially complete and ready for use.

The Company's fixed 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 amortization, if no impairment loss had been recognized.

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.

New standard not yet adopted

IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial instruments has not yet been determined.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Consolidated Financial Statements
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4. SHARE EXCHANGE AGREEMENT

On May 23, 2014, pursuant to the terms of the Share Exchange Agreement (the "Agreement"), TL Investments acquired 100% of the issued and outstanding capital stock of TL Medicine by issuing 25,000,000 common shares representing one common share of TL Investments for every ten common shares of TL Medicine.

As a result of the Agreement, the former shareholder of TL Medicine (for accounting purposes) is considered to have acquired control of TL Investments. Accordingly, the Agreement has been accounted for as a reverse takeover. As TL Investments did not meet the definition of a business the transaction was accounted for as a purchase of the net assets (liabilities) of TL Investments. The net purchase price was determined as an equity settled share-based payment under IFRS 2, Share-based Payment. As TL Medicine is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation on July 4, 2013 are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of TL Medicine in accordance with accounting standards. TL Investments' results of operations are included from May 23, 2014 onwards. At the time of the execution of the Agreement, TL Investments was in a net liability position as follows:

	As at May 23, 2014
Cash	\$ 44,979
Funds held in trust	177,124
Receivables	30,000
Accounts payable and accrued liabilities	(5,000)
Other liabilities	(292,005)
Net liabilities	\$ (44,902)

On completion of the Agreement, TL Medicine recognized transaction costs of \$1,322,402 associated with the acquisition of TL Investments, representing the fair value of the 25,000,000 common shares issued (\$1,250,000), 550,000 common shares valued at \$27,500 issued as finders' shares, as well as the net liabilities assumed on execution of the Agreement.

TRUE LEAF MEDICINE INTERNATIONAL LTD.

Notes to Consolidated Financial Statements

March 31, 2015

(Expressed in Canadian dollars)

5. PLAN OF ARRANGEMENT

In June 2014, the Company entered into a Plan of Arrangement (the "Arrangement") with Noor Energy Corporation ("Noor"), which was the former parent of the Company, and TL Investments for the purpose of becoming a publicly traded entity. The Arrangement was executed on February 2, 2015. Pursuant to the terms of the Arrangement:

- (i) TL Investments purchased all the issued and outstanding shares of the Company (the "Purchase Shares") from Noor for consideration of \$20,000 (paid);
- (ii) The Company acquired all of the 37,083,330 outstanding shares of TL Investments from the TL Investments shareholders through a 1-for-1 share exchange;
- (iii) Noor issued 5,000 of its common shares to the Company and received in exchange 355,000 common shares of the Company (the "Distribution Shares");
- (iv) The Distribution Shares were distributed as dividends to Noor's shareholders on a pro rata basis; and
- (v) The Purchase Shares were then cancelled.

As a result of the Arrangement, the former shareholders of TL Investments (for accounting purposes) are considered to have acquired control of the Company. Accordingly, the Arrangement has been accounted for as a reverse takeover. As the Company did not meet the definition of a business, the transaction was accounted for as a purchase of the net assets of the Company. The net purchase price was determined as an equity settled share-based payment under IFRS 2, Share-based Payment. TL Medicine is deemed to be the acquirer for accounting purposes. The consolidated financial statements are a continuation of TL Medicine in accordance with accounting standards. The Company's results of operations are included from February 2, 2015 onwards. At the time of the execution of the Arrangement, the Company had net assets totaling \$1 consisting of a nominal cash balance with no other assets or liabilities.

The listing expense of \$49,949 was determined as follows:

- (i) Number of common shares of TL Investments held by former TL Investments shareholders outstanding prior to the RTO was 37,083,330 or 99.97% of the combined entity.
- (ii) Number of outstanding shares of the Company prior to the RTO is determined to be 10,000 or 0.03% of the combined entity.
- (iii) Estimated fair value of TL Investments being \$5,562,500 based on the financing price of \$0.15 per common share being completed concurrently with the RTO being executed. The Company had a fair value of \$1,500 under these measurements.
- (iv) The difference between the fair value of the 200,000 shares (net of 155,000 shares subsequently returned to treasury and cancelled) issued (\$30,000) being the consideration paid and the estimated fair value of the net assets of the Company of \$1, in addition to the payment made to the Noor shareholders of \$20,000 (net of the fair value of the 5,000 common shares of Noor that were received of \$50), amounts to a listing expense of \$49,949.

Upon issuance of the Distribution Shares, 155,000 shares were returned to treasury and immediately cancelled in accordance with the Arrangement.

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6. MARKETABLE SECURITIES

In connection with the Arrangement (Note 5), the Company received 5,000 common shares of Noor Energy Corporation valued at \$0.01 per share.

7. CAPITAL ASSETS

Cost:	Website	Office Equipment	Total
Balance, March 31, 2014	\$ -	\$ -	\$ -
Additions	2,105	7,300	9,405
Balance, March 31, 2015	\$ 2,105	\$ 7,300	\$ 9,405
Accumulated depreciation:			
Balance, March 31, 2014	\$ -	\$ -	\$ -
Depreciation for the year	142	957	1,099
Balance, March 31, 2015	\$ 142	\$ 957	\$ 1,099
Net book values			
As at March 31, 2014	\$ -	\$ -	\$ -
As at March 31, 2015	\$ 1,963	\$ 6,343	\$ 8,306

8. RELATED PARTY PAYABLES AND TRANSACTIONS

During the year ended March 31, 2015, the Company:

1. Paid or accrued a total of \$50,000 (2014 - \$nil) to its Chief Executive Officer for management fees;
2. Paid or accrued a total of \$24,000 (2014 - \$nil) to its Chief Financial Officer for accounting fees; and
3. Paid or accrued a total of \$4,480 (2014 - \$nil) in directors' fees.

As at March 31, 2015, the Company is indebted to its Chief Executive Officer in the amount of \$23,033 (2014 - \$61,616) for management fees and expenses paid on the Company's behalf, its Chief Financial Officer in the amount of \$2,000 (2014 - \$nil) for accounting fees and expenses paid on the Company's behalf and \$7,060 (2014 - \$nil) in director's fees and expense reimbursement to the Company's other directors. The amounts are unsecured, non-interest bearing with no scheduled terms of repayment.

On March 19, 2015, the Company granted a total of 3,750,000 stock options, 2,000,000 of which were to directors and officers of the Company having a fair value of \$121,653. During the year ended March 31, 2015, the Company recognized \$11,869 in share-based compensation expense associated with the stock options granted to related parties.

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9. SHARE CAPITAL

Authorized:

Unlimited	Common voting shares with no par value
Unlimited	Preferred non-voting shares with no par value

Issued:

On incorporation, 382 common shares were issued at \$0.03 per share. No other common shares were issued during the period ended March 31, 2014.

The Company had the following share capital transactions during the year ended March 31, 2015:

1. On April 22, 2014, the Company issued 2,499,618 to its sole shareholder to settle debt totaling \$78,616.
2. On April 24, 2014, the Company completed a private placement by issuing 2,950,000 common shares at a price of \$0.01 per share for gross proceeds of \$29,500.
3. On May 6, 2014, the Company completed a private placement by issuing 1,666,666 units at a price of \$0.03 per unit for gross proceeds of \$50,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share at \$0.20 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering completed.
4. On May 23, 2014, the Company issued 25,000,000 common shares with a fair value of \$1,250,000 in accordance with the Share Exchange Agreement described in Note 4. The Company also issued 550,000 common shares with a fair value of \$27,500 as finder's shares associated with the Agreement.
5. On May 25, 2014, the Company completed a private placement by issuing 4,200,000 units at a price of \$0.05 per unit for gross proceeds of \$210,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share at \$0.20 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering completed.
6. On June 24, 2014, the Company completed a private placement by issuing 1,420,000 units at a price of \$0.25 per unit for gross proceeds of \$355,000. Each unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into an additional common share at \$0.40 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering completed. The Company incurred cash share issue costs of \$33,645 associated with this private placement and issued 142,000 broker's warrants exercisable into common shares of the Company at a price of \$0.25 for a period of two years. The fair value of the warrants was estimated at \$21,600 using the Black-Scholes option pricing model with the following assumptions: term of 2 years, expected volatility of 120%, risk-free rate of 1.21% and expected dividends of \$nil.
7. On October 23, 2014, the Company adjusted the pricing on the unit offering completed on June 24, 2014, whereby the Company reduced the subscription price from \$0.25 to \$0.15. Accordingly, the Company issued an additional 946,664 units to the subscribers, and adjusted the exercise price of all warrants attached to the subscriber units from \$0.40 to \$0.25 while extending the expiration date to October 23, 2016. The Company also issued an additional 94,661 broker's warrants, reduced the exercise price from \$0.25 to \$0.15 and extended the expiration date to October 23, 2016. The Company recorded an additional share issue cost of \$20,000 associated with the revision to the terms of the broker's warrants, using the Black-Scholes option pricing model with the following revised assumptions: term of 2 years, expected volatility of 120%, risk-free rate of 1.21% and expected dividends of \$nil.

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9. SHARE CAPITAL (cont'd...)

8. On February 2, 2015, the Company completed a private placement by issuing 673,333 units at a price of \$0.15 per unit for gross proceeds of \$101,000. Each unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into an additional common share at \$0.25 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering completed. The Company incurred cash share issue costs of \$5,850 associated with this private placement and issued 39,000 broker's warrants exercisable into common shares of the Company at a price of \$0.15 for a period of two years. The fair value of the warrants was estimated at \$3,600 using the Black-Scholes option pricing model with the following assumptions: term of 2 years, expected volatility of 120%, risk-free rate of 1.15% and expected dividends of \$nil.
9. On February 2, 2015, the Company issued 355,000 common shares with a fair value of \$53,250 in accordance with the Plan of Arrangement described in Note 5. 155,000 of these shares (with a fair value of \$23,250) were subsequently returned to treasury and cancelled.

Shares committed for issuance:

As at March 31, 2015, the Company is committed to issue 240,000 common shares for past consulting services provided. The shares have been valued at \$0.10 per share and are expected to be issued in the second quarter of fiscal 2016.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2014	-	\$ -
Warrants and broker warrants issued	7,662,327	0.21
Balance, March 31, 2015	7,662,327	\$ 0.21

As at March 31, 2015 the following warrants are outstanding:

	Number of Warrants	Exercise Price (\$)	Expiry Date
Warrants	1,666,666	0.20	May 6, 2016
Warrants	4,200,000	0.20	May 25, 2016
Warrants	1,183,333	0.25	October 23, 2016
Broker warrants	236,661	0.15	October 23, 2016
Warrants	336,667	0.25	February 2, 2017
Broker warrants	39,000	0.15	February 2, 2017
	7,662,327		

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9. SHARE CAPITAL (cont'd...)

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 5% (5% for individuals, 4% for consultants and 1% for investor relation consultants) of the issued and outstanding common stock of the Company in any 12 month period. Under the plan, the exercise price of each option is subject to a minimum exercise price of \$0.10 and may not be less than the closing market price of the shares on the trading day immediately preceding the date of grant of the options. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2014	-	\$ -
Stock options issued	3,750,000	0.10
Balance, March 31, 2015	3,750,000	\$ 0.10

As at March 31, 2015 the following stock options are outstanding:

	Number of Options	Exercise Price (\$)	Expiry Date
Stock options	3,750,000	0.10	March 19, 2017
	3,750,000		

On March 19, 2015, the Company granted a total of 3,750,000 stock options to directors, officers and employees that vest on July 20, 2015. The stock options were valued at \$228,100 (\$0.06 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, expected volatility of 120%, risk-free rate of 1.10% and expected dividends of \$nil.

None of the stock options have vested as at March 31, 2015, and the Company has recognized a total of \$22,254 in share-based compensation on a pro-rata basis.

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10. 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; and
- 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 accounts payable and accrued liabilities and due to related parties approximates their fair value because of the short-term nature of these instruments.

The fair values of cash and marketable securities 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, 2015:

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations which will result in a loss for the Company. At March 31, 2015, the Company's maximum exposure to credit risk was the carrying value of cash. The Company limits its credit exposure on cash by holding its deposits mainly with Canadian chartered banks.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting future obligations with financial liabilities. The Company is exposed to this risk mainly in respect to finance future growth. As at March 31, 2015, the Company has cash of \$37,286 to settle current liabilities of \$155,027.

Currency risk

The Company is not exposed to any currency risk as of March 31, 2015.

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10. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risk from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is not at risk as of March 31, 2015.

Capital Management

The Company's capital includes share capital 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 to it in the 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, 2015.

11. COMMITMENTS

The Company has the following commitments as of March 31, 2015:

1. On May 1, 2014, the Company entered into a contractual agreement with its Chief Executive Officer whereby the Company will pay or accrue \$5,000 per month for management fees.
2. On May 20, 2014, the Company entered into a contractual agreement with its Chief Financial Officer whereby the Company will pay or accrue \$2,000 per month for accounting and financial reporting services rendered for an initial term of 2 years.
3. On March 27, 2014, the Company entered into an agreement to lease a property located in Lumby, British Columbia for purposes of its future medical marijuana production. The option agreement has an initial term of 1 year at a rate of \$2,000 per month commencing April 1, 2014. The owner of the property has the right to cancel the option to lease within 30 days notice if no significant progress or feedback is shown in regards to the Company's medical marijuana license application.
4. On June 1, 2014, the Company entered into a consulting agreement with its Controller whereby the Company will pay or accrue a maximum of \$6,500 per month for accounting and financial reporting services rendered for an initial term of 1 year.
5. On June 20, 2014, the Company entered into a consulting agreement commencing April 1, 2014 whereby the Company will pay or accrue \$4,000 per month for public relations and communication strategy services rendered for an initial term of 1 year.
6. On June 20, 2014, the Company entered into a one year consulting agreement commencing April 1, 2014 whereby the Company will pay or accrue \$5,000 per month for branding and marketing strategy services rendered for an initial term of 1 year.
7. On June 20, 2014, the Company entered into a consulting agreement commencing February 28, 2014 whereby the Company will pay or accrue a maximum of \$4,000 per month for strategic marketing and special project services for an initial term of 1 year.

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the year ended March 31, 2015 consisted of the following:

1. The Company issued 2,499,618 shares to settle debt totaling \$78,616.
2. The Company issued 25,000,000 common shares with a value of \$1,250,000 in accordance with a Share Exchange Agreement (Note 4). The Company also issued 550,000 common shares with a value of \$27,500 as finders' fees associated with completion of the Share Exchange Agreement.
3. The Company issued 200,000 shares (net of 155,000 returned to treasury and cancelled) with a value of \$30,000 in accordance with a Plan of Arrangement Agreement (Note 5).
4. The Company issued a total of 275,661 broker's warrants with a combined fair value of \$45,200 pursuant to two financings completed.

The Company had no other non-cash investing or financing activities during the year ended March 31, 2015 or during the period ended March 31, 2014.

13. INCOME TAXES

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

	2015	2014
Loss for the period	\$ (2,166,803)	\$ (77,217)
Expected income tax expense (recovery)	\$ (563,000)	\$ (20,000)
Change in statutory tax rates and other	2,000	-
Permanent differences	363,000	-
Share issue costs	(10,000)	-
Change in unrecognized deductible temporary differences	<u>208,000</u>	<u>20,000</u>
Total income tax expense (recovery)	\$ -	\$ -

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:

	2015	2014
Deferred tax assets (liabilities):		
Share issue costs	\$ 6,000	\$ -
Non-capital losses available for future periods	<u>226,000</u>	<u>20,000</u>
	232,000	20,000
Unrecognized deferred tax assets	<u>(232,000)</u>	<u>(20,000)</u>
Net deferred tax assets	\$ -	\$ -

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13. INCOME TAXES (cont'd...)

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:

	2015	Expiry Date Range	2014	Expiry Date Range
Temporary differences:				
Share issue costs	\$ 24,000	2035 to 2039	\$ -	N/A
Non-capital losses available for future periods	\$ 309,000	2034 to 2035	\$ 77,000	2034

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

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended March 31, 2015:

1. The Company entered into a Right of First Refusal (the "Right") to match any offers received by the shareholders of Wodema Industries Ltd. ("Wodema") in regards to the purchase of all or any of the Wodema shares, for a 24 month period ending May 1, 2017. Wodema is a private company based out of Vernon, British Columbia that carries on business as a manufacturer and distributor of pet treats. Wodema has agreed to be a manufacturer of the Company's hemp-based pet treats expected to commence during fiscal 2016.
2. The Company completed a private placement by issuing 1,375,000 units at a price of \$0.08 per unit for gross proceeds of \$110,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share at \$0.15 per share for a period of two years.