**TRUE LEAF MEDICINE INTERNATIONAL LTD.**
(the "*Company*")

July 27, 2015

## MANAGEMENT DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("*MD&A*") has been prepared by management and should be read in conjunction with the audited consolidated financial statements of the Company together with the related notes thereto for the year ended March 31, 2015. The 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 of the *International Financial Reporting Interpretations Committee ("IFRIC")*. All amounts are stated in Canadian dollars unless otherwise indicated.

## FORWARD LOOKING STATEMENTS

This MD&A contains certain statements related to industry scope and state, production, revenue, expenses, plans, development schedules and similar items that represent forward-looking statements. Such statements are based on assumptions and estimates related to future economic and market conditions. Such statements include declarations regarding management's intent, belief or current expectations. Certain statements contained herein may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results may differ materially from those indicated by such forward-looking statements. Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment , (ii) the possible unavailability of financing, (iii) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) impact of Canadian economic conditions, and (x) fluctuations in currency exchange rates and interest rates.

## OVERVIEW

The Company was incorporated on June 6, 2014 under the *Business Corporations Act* (British Columbia) ("*BCBCA*") and has two wholly-owned subsidiaries, being True Leaf Investments Corp. ("*TL Investments*"), which was incorporated on March 26, 2014 under the BCBCA, and True Leaf Medicine Inc. ("*TL Medicine*"), which was incorporated on July 4, 2013 under the BCBCA. The Company's registered office is 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. The Share Exchange Agreement constituted a reverse takeover, with the sole shareholder of TL Medicine acquiring a control position in TL Investments. The transaction is further described in Note 4 of the audited consolidated financial statements.

On February 2, 2015, the Company executed a Plan of Arrangement as further described in Note 5 of the audited consolidated financial statements. 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 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. The Company is planning to enter the US and Canadian National pet product market with a product line consisting of innovative hemp-based functional chews and supplemental products for pets in the fall of 2015.

## SELECTED ANNUAL INFORMATION

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. The Company’s results of operations are included from February 2, 2015 onwards.

| **Description** | **Year ended March 31, 2015 $** | **Period From July 4, 2013 to March 31, 2014 $** |
|---|---|---|
| *Total Revenues* | *Nil* | *Nil* |
| *Loss and Comprehensive Loss* | | |
| *Total* | *(2,166,805)* | *(77,217)* |
| *Per share* | *(0.07)* | *(202.14)* |
| *Total Assets* | *49,392* | *4,000* |
| *Long term financial liabilities* | *Nil* | *Nil* |
| *Cash dividends* | *N/A* | *N/A* |

## SUMMARY OF QUARTERLY RESULTS

| Description | Three months ended Jun 30, 2014 $ | Three months ended Sept 30, 2014 $ | Three Months ended Dec 31, 2014 $ | Period ended Mar 31, 2015 $ |
|---|---|---|---|---|
| *Net Revenues* | *Nil* | *Nil* | *Nil* | *Nil* |
| *Loss before other items* | | | | |
| *Total* | *205,238* | *277,086* | *125,990* | *185,874* |
| *Net and comprehensive loss for period* | | | | |
| *Total* | *1,527,640* | *277,086* | *125,990* | *236,089* |
| *Per share* | *(0.09)* | *(0.01)* | *(0.01)* | *(0.01)* |

## PLAN OF OPERATIONS

The Company, through TL Medicine, is seeking to become a licensed producer of medical marijuana under Canada's Marijuana 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 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.

While True Leaf waits for Health Canada to approve its application for a license to produce and distribute medical marijuana in Canada, it is establishing a niche in the North American cannabis industry by focusing on the quality of life for pets with the True Leaf Pet brand. The Company is currently looking for strategic investment partners for a $3,000,000 private placement as it prepares to launch hemp-based pet treats in the fall of 2015.

The Company received a ‘Ready to Build’ approval for its first licensing application in January 2014; however, issues arose with the facility location and local zoning. In March 2014, the Company secured a second location, and on April 8, 2014, the Company submitted a second licensing application.

The Company’s short-term business objectives for the next 12 months are:

1. Successfully complete a $3 million private placement which will be used to launch medical marijuana and launch hemp-based functional chews for pets in the US and Canadian market.
2. Complete a $2 million financing for construction of production facilities, grow two crops and obtain approval from Health Canada to be a licensed producer of medical marijuana, and
   a. Develop brand awareness;
   b. Pre-enroll 500 patients for its product;

3. 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.

The Company's long-term business objectives are:

1. For medical marijuana:
   a. Achieve commercial distribution of medical marijuana;
   b. Increase its patient customer base annually through its marketing campaign;
   a. As demand for the product increases, seek to expand production capacity by adding growing rooms through the addition of mezzanine floors and increasing the facility footprint at an estimated cost of $4.68 million, financed from internal or external sources of capital over a six year period; and
   c. Perform ongoing research and development at an initial cost of 10% of sales.

2. For the natural pet market:
   a. Secure a new animal drug application for a cannabis-based pet medication sold via veterinary prescription in the pet medication market. It is intended this will aid the foundation for the Company's long-term strategy to secure a new animal drug application for a cannabis-based pet medication sold by a veterinary prescription in the $13.8 billion pet medication market.

## RESULTS OF OPERATIONS

*Fiscal Year ended March 31, 2015 and Period from July 4, 2013 to March 31, 2014*

The Company incurred a net and comprehensive loss of $2,166,805 for the year ended March 31, 2015, compared to a net and comprehensive loss of $77,217 for the period from July 4, 2013 to March 31, 2014. Some of the items comprising the loss for the year ended March 31, 2015 were accounting and legal fees of $315,742 (2014 - $19,735), consulting fees of $164,880 (2014 - $40,750), and administrative and office costs of $145,907 (2014 - $9,079).

*Three Months ended March 31, 2015 and Period ended March 31, 2014*

We incurred a net and comprehensive loss of $236,089 for the three months ended March 31, 2015, compared to a net and comprehensive loss of $77,217 for the three months ended March 31, 2014. Some of the items comprising the loss for the three months ended March 31, 2014 were accounting and legal fees of $31,868 (2014 - $19,735), consulting fees of $41,637 (2014 - $40,750), and management fees of $35,000 (2014 - $Nil).

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had cash of $37,286 and a working capital deficit of $105,635. The Company's operations during the year ended March 31, 2015 were funded by five private placements carried out during the year as described below.

| Date | Total Proceeds | Securities Issued |
|---|---|---|
| April 24, 2014 | $29,500 | 2,950,000 common shares at a price of $0.01 per share |
| May 6, 2014 | $50,000 | 1,666,666 units at a price of $0.03 per unit. Each unit consists of one common share and one share purchase warrant, with each warrant being exercisable into one common share at a price of $0.20 per share for a period of two years. |
| May 25, 2014 | $210,000 | 4,200,000 units at a price of $0.05 per unit. Each unit consists of one common share and one share purchase warrant, with each warrant being exercisable into one common share at a price of $0.20 per share for a period of two years. |
| June 24, 2014 | $355,000 | 1,420,000 units at a price of $0.25 per unit. Each unit consists of one common share and one half of one share purchase warrant, with each full warrant being exercisable into one common share at a price of $0.40 per share for a period of two years.<br><br>On October 23, 2014, the subscription price was reduced to $0.15 per share. Accordingly, an additional 946,664 units were issued, the exercise price of the warrants was reduced to $0.25 per share and the expiration date was extended to October 23, 2016. |
| February 27, 2015 | $101,000 | 673,333 units at a price of $0.15 per unit. Each consists of one common share and one half of one share purchase warrant, with each full warrant being exercisable into one common share at a price of $0.25 per share for a period of two years. |

*Going Concern*

The consolidated financial statements were 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, 2015, the Company incurred a loss of $2,166,905 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.

The 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.

## RELATED PARTY 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, to 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 directors' fees and expense reimbursements 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 these options.

## SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred non-voting shares without par value. As of July 27, 2015, the total number of issued and outstanding common shares was 37,956,663 common shares and there were no preferred shares outstanding.

During the year ended March 31, 2015, the Company issued the following securities:

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 of the audited consolidated financial statements. 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.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.
8. 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 of the audited consolidated financial statements. 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*

As at March 31, 2015 and July 27, 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** | | |

*Stock options*

As at March 31, 2015 and July 27, 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.

## FINANCIAL INSTRUMENTS

### *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.

*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.

## CHANGES IN ACCOUNTING POLICIES

*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.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## SUBSEQUENT EVENTS

Subsequent to the year ended March 31, 2015:

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.

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.

## APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of July 27, 2015.

## ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com.