TRUE LEAF MEDICINE INTERNATIONAL LTD.
(the *"Company", "True Leaf", "we", "us", "our")*

August 29, 2016

MANAGEMENT DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("*MD&A*") has been prepared by management and should be read in conjunction with the interim financial statements of the Company together with the related notes thereto for the three months ended June 30, 2016, as well as our audited consolidated financial statements and accompanying MD&A for the year ended March 31, 2016. 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 9, 2014 under the *Business Corporations Act* (British Columbia) ("*BCBCA*") and has three 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, and True Leaf Pet Inc. ("TL Pet"), which was incorporated on November 18, 2015 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 June 30, 2016, 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. TL Pet has entered the Canadian and US market and is planning to enter the natural pet product market with a product line consisting of hemp-based functional chews and supplemental products for pets.

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.

SUMMARY OF QUARTERLY RESULTS

Description	**Three months ended June 30, 2016 $**	**Three months ended March 31, 2016 $**	**Three months ended Dec. 31, 2015 $**	**Three months ended Sept. 30, 2015 $**	**Three months ended Jun 30, 2015 $**	**Three months ended Mar 31, 2015 $**	**Three months ended Dec 31, 2014 $**	**Three Months ended Sept 30, 2014 $**
Net Revenues	*7,242*	*11,103*	*110*	-	-	-	-	-
Income (loss) before other items								
Total	*(361,796)*	*(233,075)*	*(210,730)*	*(236,391)*	*(342,761)*	*(185,874)*	*(125,990)*	*(277,086)*
Net and comprehensive income (loss) for period								
Total	*(355,269)*	*(249,328)*	*(210,840)*	*(236,391)*	*(342,761)*	*(236,089)*	*(125,990)*	*(277,086)*
Per share	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.00)*	*(0.01)*

RECEIVABLES AND INVENTORY

Receivables

	June 30, 2016	March 31, 2016
Trade receivables	$ 21,335	$ 10,259
Goods and services tax receivable	7,257	2,666
	$ 28,592	$ 12,925

Trade receivables are non-interest bearing and are due within 30 days. As at June 30, 2016, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at June 30, 2016 was $nil (2015 - $nil).

Inventories

	June 30, 2016	March 31, 2016
Finished goods	$ 48,616	$ 7,479
Supplies	14,099	14,099
	$ 62,715	$ 21,578

CAPITAL ASSETS

Cost:	Website	Office Equipment	Total
Balance, March 31, 2015	$ 7,300	$ 2,105	$ 9,405
Additions	3,501	-	3,501
Balance, March 31, 2016	10,801	2,105	12,906
Additions		4,580	4,580
Balance, June 31, 2016	$ 10,801	$ 6,685	$ 17,486
Accumulated depreciation:			
Balance, March 31, 2015	$ 957	$ 142	$ 1,099
Depreciation for the year	2,698	393	3,091
Balance, March 31, 2016	3,655	535	4,190
Depreciation for three month	675	98	773
Balance, June 30, 2016	$ 4,330	$ 633	$ 4,963
Net book values:			
As at March 31, 2016	$ 7,146	$ 1,570	$ 8,716
As at June 30, 2016	**$ 6,471**	**$ 6,052**	**$ 12,523**

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.

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. As at June 30, 2016, 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 up to $3,000,000 private placement of which the company has raised $ 737,982 in the first quarter of 2017

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

1. Successfully complete up to a $3,000,000 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. Enter the European natural pet product market with a product line consisting of innovative hemp-based functional chews and supplemental products for pets.

3. (conditional to Health Canada pre-licensing inspection approval) Complete a $2,000,000 financing for construction of production facilities, grow two crops and obtain approval from Health Canada to be a licensed producer of medical marijuana

The Company's long-term business objectives are:

1. For the natural pet market:
    a. Carve a niche in the global pet industry with a hemp-focused family of products that are sold in the pet specialty, mass-pet, veterinary and food/mass/drug market segments.
    b. Review and assess the feasibility of a new animal drug application for a cannabis-based pet medication sold via veterinary prescription in the pet medication market.

2. For medical marijuana:
    c. Achieve commercial distribution of medical marijuana.
    d. Increase its patient customer base annually through its marketing campaign.
    e. As demand for the product increases, seek to expand production capacity and increase expenditures on research and development.

RESULTS OF OPERATIONS

Three Months ended June 30, 2016 and Three Month ended June 30, 2015

We incurred a net and comprehensive loss of $355,269 for the three months ended June 30, 2016, compared to a net and comprehensive loss of $342,761 for the three months ended June 30, 2015. Some of the items comprising the loss for the three months ended June 30, 2016 were accounting and legal fees of $52,299 (2015 - $30,528), and consulting fees of $137,351(2015 - $42,940). We increased sales by 100% to $37,775 from the previous quarter, a direct result of additional sales to our Canadian distributors and launch the product to new US distributors. Our product inventory increased to $41,137 to service immediate sales to the US and Canada customers. Closing of a private placement of which the company has raised $ 737,982 in the first quarter of 2017 increase the ending cash position to $393,812 from the previous quarter of $3,737 and reduces the current liabilities to $151,893 from the previous quarter $390,931. We completed a debt settlement for the convertible note of $63,187 and settled aggregated debt totaling $234,134 during the three month ended June 30, 2016, reduced the total liability to $153,151 compared to the previous quarter ended March 31, 2016 $619,055. Gross margins for the three months ending June 30, 2016 were low and associated with increased promotional and R&D costs attributed to the start-up sales phase for the hemp-based functional chews and supplemental products.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2016, the Company had cash of $393,813 and working capital of $334,051. The Company's operations during the three month ended June 30, 2016 was funded by one private placements carried out during this period as described below.

Date	Total Proceeds	Securities Issued
May 11, 2016	$737,982	7,028,404 units at a price of $0.105 per unit. The common shares are subject to a hold period of four month.

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 three month ended June 30, 2016, the Company incurred a loss of $355,269 and has earned revenues of $37,775. 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 three month ended June 30, 2016, the Company:

1. Paid or accrued a total of $15,000 (2015 - $15,000) to Darcy Bomford, Chief Executive Officer for management fees;
2. Paid or accrued a total of $7,500 (2015 - $7,500) to a company controlled by Darcy Bomford, Chief Executive officer, for rent;
3. Paid or accrued a total of $6,000 (2015 - $6,000) to Chuck Austin, Chief Financial Officer for accounting fees; and
4. Paid or accrued a total of $1,875 (2015 - $1,875) in directors' fees to its three independent Directors.

As at June 30, 2016, the Company has a receivable from its Chief Executive Officer in the amount of $617 and is indebted (2015 - $15,000) for management fees and expenses paid on the Company's behalf, and $1,875 (2015 - $1,875) 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 three month ended June 30, 2016, the Company recognized $nil (2015 - $90,004) in share-based compensation expense associated with the stock options granted to related parties.

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 August 29, 2016, the total number of issued and outstanding common shares was 53,263,203 common shares and there were no preferred shares outstanding.

During the three month ended June 30, 2016, the Company issued the following securities:

1. On May 11, 2016, the Company completed a private placement by issuing 7,028,404 units at a price of $0.105 per unit for gross proceeds of $737,982. The common shares are subject to a hold period of four month and one day from the date of their issuance. The Company paid a finder's fee of $11,975 in association with the financing.
2. On May 11, 2016, the Company issued a total of 2,229,843 common shares pursuant to debt settlement agreements with various vendors. The Company settled aggregate debt totaling $243,134 through issuance of the shares at a value of $0.105 per share.
3. On May 11, 2016 the Company issued a total of 601,843 common shares and 300,921 share purchase warrants pursuant to the conversion of debt and interest owing on a loan from First Pacific.
4. The Company issued a total of 1,223,832 common shares pursuant to the exercise of share purchase warrants for a total gross proceeds of $250,375

Warrants

As at August 29, 2016 the following warrants are outstanding:

	Number of Warrants	Exercise Price ($)	Expiry Date
Warrants	892,361	0.25	October 23, 2016
Broker warrants	118,329	0.15	October 23, 2016
Warrants	336,667	0.25	February 2, 2017

Warrants	1,431,668	0.15	August 11, 2017
Warrants	990,447	0.15	January 18,2018
Warrants	300,921	0.15	May 12, 2018
	4,070,393		

Stock options

As at August 29, 2016 the following stock options are outstanding and exercisable:

	Number of Options	Exercise Price ($)	Expiry Date
Stock options	3,250,000	0.10	March 19, 2017
Stock options	500,000	0.12	February 17, 2018
Stock option	100,000	0.14	February 19,2018
	3,850,000		

On March 19, 2015, the Company granted a total of 3,750,000 stock options to directors, officers and employees that vested on July 20, 2015. The stock options were valued at $228,100 ($0.061 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

As of March 31, 2016 these stock options have fully vested. During the year ended March 31, 2016 the Company recognized a total of $ 205,846 (2015 - $22,254) in share-based compensation on a pro-rata basis associated with continued vesting of the options granted.

On February 17, 2016, the Company granted a total of 500,000 stock options to employees that vested on grant. The stock options were valued at $32,000 ($0.064 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, expected volatility of 103%, risk-free rate of 0.48% and expected dividends of $nil. During the year ended March 31, 2016, the Company recognized the full amount of $32,000 in share-based compensation on grant.

On February 19, 2016, the Company granted a total of 100,000 stock options to a consultant that vested on grant. The stock options were valued at $7,495 ($0.075 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, expected volatility of 103%, risk-free rate of 0.45% and expected dividends of $nil. During the year ended March 31, 2016, the Company recognized the full amount of $7,495 in share-based compensation on.

PROPOSED TRANSACTIONS

During the three month ended June 30, 2016 the company incurred $2,935 (March 31, 2016 - $35,008) in costs associated with acquiring a trademark for use in the pet treat segment of the Company's future operations. No amortization has been recorded for the three month ended June 30, 2016, and the Company expects to incur additional costs associated with the trademark process.

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 June 30, 2016:

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 June 30, 2016, 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 June 30, 2016, the Company has cash of $393,812 to settle current liabilities of $151,151.

Currency risk

The Company is not exposed to any currency risk as of June 30, 2016.

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 June 30, 2016.

CHANGES IN ACCOUNTING POLICIES

New standards not yet adopted

During the three month ended June 30, 2016, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's consolidated financial statements. There are however a number of new standards and amendments to existing standards effective in future periods.

The following may impact the reporting and disclosures of the Company:

- Amendment to IFRS 7 Financial Instruments - Disclosures Changes were made to the offsetting of certain interim disclosures and the effective date is April 1, 2016.
- Amendment to IAS 34 - Interim Financial Reporting Changes were made to clarifying the reporting of redundant information and the effective date is April 1, 2016.
- New standard IFRS 9 "Financial Instruments" This new standard is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This new standard is tentatively effective for annual periods beginning on or after January 1, 2018.

The Company has not early adopted the amended and new standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Subsequent to the three month ended June 30, 2016:

Issued a total of 207,332 common shares pursuant to the exercise of share purchase warrants for total gross proceeds of $36,100.

The Company incorporated a new subsidiary in Luxembourg, True Leaf Pet Europe LLC Sàrl ("TL Pet Europe"), for business expansion of TL Pet operations into Europe. TL Pet Europe is 98% owned by TL Pet, with the remaining 2% being owned by the newly appointed operations manager in Luxembourg.

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of August 29, 2016.

ADDITIONAL INFORMATION

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