

True Leaf Medicine International Ltd.
Condensed Consolidated Interim Financial Statements
For the Six Months ended September, 2016 and September, 2015
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

The accompanying unaudited condensed consolidated interim financial statements of True Leaf Medicine International Ltd. for the six months ended September 30, 2016 and September 30, 2015 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

(Unaudited - Prepared by Management)
 (Expressed in Canadian dollars)
TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	September 30, 2016	March 31, 2016
Assets		
Current assets		
Cash	\$ 272,894	\$ 3,737
Receivables (Note 6)	44,100	12,925
Inventories (Note 6)	78,811	21,578
Prepaid expenses	11,616	7,542
Total current assets	407,421	45,782
Non-current assets		
Marketable securities (Note 7)	50	50
Capital assets (Note 8)	15,444	8,716
Intangible asset (Note 14)	45,326	35,008
Total assets	\$ 468,241	\$ 89,556
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 279,209	\$ 390,931
Convertible debt – liability (Note 10)	-	58,416
Due to related parties (Note 9)	3,133	169,708
Total liabilities	282,342	619,055
Shareholders' equity (deficit)		
Share capital (Note 10)	3,955,236	2,436,675
Convertible debt – equity (Note 10)	-	4,373
Reserves	262,376	312,795
Deficit	(4,031,713)	(3,283,342)
Total shareholders' equity (deficit)	185,899	(529,499)
Total liabilities and shareholders' equity (deficit)	\$ 468,241	\$ 89,556

Nature of Operations and Going Concern (Note 1)

Commitments (Note 12)

Events After the Reporting Period (Note 15)

Approved on behalf of the Board of Directors on Nov 23, 2016

"Kevin Bottomley"

Director

"Darcy Bomford"

Director

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	For the Three Months Ended		For the Six Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Sales	\$ 90,900	\$ -	\$ 128,675	\$ -
Cost of Sale	57,809	-	88,517	-
	\$ 33,091	\$ -	\$ 40,158	\$ -
Operating Expenditures				
Accounting and legal (Note 9)	\$ 92,677	\$ 58,270	\$ 144,975	\$ 88,799
Administrative and office	97,734	46,914	190,433	72,686
Advertising and marketing	160,439	46,287	221,069	97,790
Consulting fees	44,112	28,073	181,564	70,912
Management fees (Note 9)	15,000	15,000	30,000	30,000
Depreciation (Note 8)	773	773	1,546	1,546
Director's fees (Note 9)	1,875	1,875	3,750	3,750
Research	7,659	1,710	13,899	7,424
Share-based compensation (Note 9)	-	37,489	-	206,246
Total operating expenditures	(420,269)	(236,391)	(787,236)	(579,153)
Foreign Exchange Loss	(593)	-	(1,293)	-
Loss and comprehensive loss for the period	\$ (387,771)	\$(236,391)	\$ (748,371)	\$(579,153)
Loss per common share – basic and diluted	\$ (0.01)	\$(0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	53,479,105	38,817,967	50,752,442	38,389,668

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

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

(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Number of shares	Share Subscription s Received	Shares Committed For Issuance	Share Capital	Convertible Debt -Equity	Reserves	Deficit	Total Shareholder s' Equity (Deficit)
Balance, March 31, 2015	37,956,663	\$ -	\$ 24,000	\$ 2,046,933	-	\$ 67,454	\$ (2,244,022)	\$ (105,635)
Share subscriptions received	-	20,000	-	-	-	-	-	20,000
Shares issued for past consulting service	240,000	-	(24,000)	24,000	-	-	-	-
Share issued for debt settlement	50,000	-	-	5,000	-	-	-	5,000
Units issued for private placement	1,550,000	-	-	124,000	-	-	-	124,000
Share based compensation	-	-	-	-	-	206,246	-	206,246
Loss for the period	-	-	-	-	-	-	(579,153)	(579,153)
Balance, September 30, 2015	39,796,663	\$ 20,000	\$ -	\$ 2,199,933	\$ -	\$ 273,700	\$ (2,823,175)	\$ (329,542)
Balance, March 31, 2016	41,971,949	\$ -	\$ -	\$ 2,436,675	\$ 4,373	\$ 312,795	\$ (3,283,342)	\$ (529,499)
Shares issued for debt settlement	2,229,843	-	-	234,134	-	-	-	234,134
Shares issued for convertible debt	601,843	-	-	63,193	(4,373)	-	-	58,820
Private placement, net of share issue cost	7,028,404	-	-	726,007	-	-	-	726,007
Shares issued on exercise of warrants	2,264,497	-	-	455,020	-	(35,212)	-	419,808
Shares issued on exercise stock options	250,000	-	-	40,207	-	(15,207)	-	25,000
Loss for the period	-	-	-	-	-	-	(748,371)	(748,371)
Balance, September 30, 2016	54,346,536	\$ -	\$ -	\$ 3,955,236	\$ -	\$ 262,376	\$ (4,031,713)	\$ 185,899

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Operating activities		
Loss for the period	\$ (748,371)	\$ (579,153)
Items not affecting cash:		
Depreciation	1,546	1,546
Share-based compensation	-	206,246
Changes in non-cash working capital items:		
Prepaid expenses	4,074	(23,066)
Accounts payable and accrued liabilities	(23,231)	171,250
Due to related parties	(30,734)	58,900
Inventories	(54,409)	-
Receivables	(31,175)	-
Net cash used in operating activities	(890,448)	(164,277)
Investing activities		
Purchase of capital assets	(8,274)	(3,501)
Intangible asset costs	(2,936)	(4,521)
Net cash used in investing activities	(11,210)	(8,022)
Financing activities		
Proceeds from issuance of share capital	737,982	124,000
Proceeds from exercise of options	25,000	-
Proceeds from exercise of warrants	414,808	-
Share issue costs	(11,975)	-
Share subscriptions received	-	20,000
Net cash provided by financing activities	1,170,815	144,000
Change in cash for the period	269,157	(28,299)
Cash, beginning of the period	3,737	37,286
Cash end of the period	\$ 272,894	\$ 8,987

Supplemental disclosure with respect to cash flows (Note 13)

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(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"), True Leaf Medicine Inc. ("TL Medicine") and True Leaf Pet Inc. ("TL Pet"). TL Investments, TL Medicine and TL Pet and were all incorporated under the Business Corporations Act of the Province of British Columbia on March 26, 2014, July 4, 2013 and November 18, 2015 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 June 30, 2016, 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 has entered the US and Canadian natural pet product market with a product line consisting of hemp-based functional chews and supplemental products for pets.

(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 six month period ended September 30, 2016, the Company incurred a loss of \$748,371 and has earned \$126,675 (2015 - \$nil) in revenues. 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 Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION *(continued)*

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent 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”), including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2016.

(b) Principles of 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 Canadian subsidiaries: TL Investments, TL Medicine and TL Pet. 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 Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION *(continued)*

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.

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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

Financial instruments (cont'd...)

(ii) Financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, debt component of convertible debt and amounts due to related parties are classified as other financial liabilities.

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 September 30, 2016 and March 31, 2016, 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.

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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

Share-based payments (cont'd...)

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.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when the risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. The Company does not sell any of its current products on a consignment basis.

Earnings (loss) per share

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

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 Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

Inventories

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

Capital assets

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

Office equipment – 5 years
Leasehold Improvement – 3 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 capital assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Intangible asset

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

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

During the six month period ended September 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

New standard not yet adopted (cont'd...)

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

- 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.

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.

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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.

6. RECEIVABLES AND INVENTORIES

Receivables

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

	September 30, 2016	March 31, 2016
Trade receivables	\$ 44,100	\$ 10,259
Goods and services tax receivable	-	2,666
	\$ 44,100	\$ 12,925

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

Inventories

	September 30, 2016	March 31, 2016
Finished goods	\$ 44,712	\$ 7,479
Supplies	34,099	14,099
	\$ 78,811	\$ 21,578

7. 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.

8. CAPITAL ASSETS

Cost:	Website	Office Equipment	Leasehold Imprvmts	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	3,694	8,274
Balance, September, 2016	\$ 10,801	\$ 6,685	\$ 3,694	\$ 21,180
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 six month period	1,350	196	-	1,546
Balance, September 30, 2016	\$ 5,005	\$ 731	\$ -	\$ 5,736
Net book values:				
As at March 31, 2016	\$ 7,146	\$ 1,570	\$ -	\$ 8,716
As at September 30, 2016	\$ 5,796	\$ 5,954	\$ 3,693	\$ 15,444

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

9. RELATED PARTY PAYABLES AND TRANSACTIONS

During the six month period ended September 30, 2016, the Company:

1. Paid or accrued a total of \$15,000 (2015 - \$15,000) to its Chief Executive Officer for management fees;
2. Paid or accrued a total of \$6,000 (2015 - \$6,000) to its Chief Financial Officer for accounting fees; and
3. Paid or accrued a total of \$1,875 (2015 - \$1,875) in directors' fees.

As at September 30, 2016, the Company has a receivable from its Chief Executive Officer in the amount of \$617 and is indebted as of March 31, 2016 for \$143,648 for management fees and expenses paid on the Company's behalf, its Chief Financial Officer in the amount of \$nil (March 31, 2016 – \$14,000) for accounting fees and expenses paid on the Company's behalf and \$3,750 (March 31, 2016 – \$12,060) 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 six month period ended September 30, 2016, the Company recognized \$nil (2015 – \$90,004) in share-based compensation expense associated with the stock options granted to related parties.

10. 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.

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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

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.
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.

The Company had the following share capital transactions during the year ended March 31, 2016:

1. On August 11, 2015, the Company completed a private placement by issuing 1,550,000 units at a price of \$0.08 per unit for gross proceeds of \$124,000. 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. No value was assigned to the warrants issued as part of the unit offering completed. The Company incurred \$3,048 in share issue costs associated with this financing.
2. On September 24, 2015, the Company issued 240,000 common shares with a fair value of \$33,600 for past consulting services provided. An amount of \$24,000 had been accrued as a commitment to issue shares as at March 31, 2015, with the difference of \$9,600 being attributable to the change in fair value as of the date of issuance.
3. On January 18, 2016 the Company closed a private placement of 2,005,953 units at a price of \$0.105 per unit for gross proceeds of \$210,625. Each unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant is exercisable to purchase one additional common share of the Company at an exercise price of \$ 0.15 per share for a period of two years from the issuance date. No value was assigned to the warrants issued as part of the unit offering completed. The Company incurred \$4,581 in share issue costs associated with this financing.
4. During the year ended March 31, 2016, the Company issued a total of 219,333 common shares with an aggregate value of \$29,146 pursuant to debt settlement agreements with various vendors. The Company recognized a loss on debt settlement of \$15,304 in association with the settlement agreements.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

The Company had the following share capital transactions during the six month period ended September 30, 2016:

5. The Company issued a total of 2,264,497 common shares pursuant to the exercise of share purchase warrants for total gross proceeds of \$419,808.
6. On May 11, 2016 the Company closed a private placement of 7,028,404 common shares at a price of \$0.105 per share for gross proceeds of \$737,982. The common shares are subject to a hold period of four months and one day from the date of their issuance. The Company paid a cash finder's fee of \$11,975 in association with the financing.
7. 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 \$234,134 through issuance of the shares at a value of \$0.105 per share.
8. 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 (see below) owing on a loan from First Pacific.
9. On August 31, the Company issued a total of 250,000 common shares pursuant to the exercise of stock options for total gross proceeds of \$25,000

Convertible debt

On October 30, 2015, the Company entered into a convertible debt agreement with First Pacific Enterprises Inc. ("First Pacific"), pursuant to which First Pacific loaned the Company a total of \$60,000. First Pacific is a company controlled by the Company's Chief Executive Officer. The loan is due on April 30, 2016 and bears interest at a rate of 10% per annum. First Pacific has the right to convert all or any portion of the loan and interest into units of the Company at a conversion price of \$0.105 per unit. Each unit would consist of one common share of the Company and one half of one share purchase warrant, with each full warrant being exercisable into an additional common share of the Company at a price of \$0.15 for a period of two years. During the year ended March 31, 2016, the Company recognized \$3,187 (2015 - \$nil) in accretion expense associated with the liability component of the convertible debt.

The loan was converted during the six month period ended September 30, 2016.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2015	7,662,327	\$ 0.21
Warrants and broker warrants issued	2,552,977	0.15
Balance, March 31, 2016	10,215,304	0.19
Warrants and broker warrants cancelled	(5,016,666)	0.20
Warrants and broker warrants exercised	(2,260,498)	0.20
Warrants issued	300,921	0.15
Balance, September 30, 2016	3,239,061	\$ 0.18

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

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

As at June 30, 2016 the following warrants are outstanding:

	Number of Warrants	Exercise Price (\$)	Expiry Date
Warrants	808,998	0.25	October 23, 2016
Warrants	336,667	0.25	February 2, 2017
Warrants	800,000	0.15	August 11, 2017
Warrants	992,475	0.15	January 18, 2018
Warrants	300,921	0.15	May 11, 2018
	3,239,061		

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 twelve-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 granted	3,750,000	0.10
Balance, March 31, 2015	3,750,000	0.10
Stock options cancelled	(500,000)	0.10
Stock options granted	600,000	0.12
Balance, March 31, 2016	3,850,000	0.10
Stock options exercised	(250,000)	
Balance, September 30, 2016	3,600,000	\$ 0.10

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

10. SHARE CAPITAL *(continued)*

Stock options (cont'd...)

As at September 30, 2016 the following stock options are outstanding:

	Number of Options	Exercise Price (\$)	Expiry Date
Stock options	3,000,000	0.10	March 19, 2017
Stock options	500,000	0.12	February 17, 2018
Stock options	100,000	0.14	February 19, 2018
	3,800,000		

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 (\$0.061 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 grant.

On August 31, 2016, the Company issued a total of 250,000 common shares pursuant to the exercise of stock options for total gross proceeds of \$25,000.

11. 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT *(continued)*

Fair Value *(continued)*

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 September 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 September 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 September 30, 2016, the Company has cash of \$272,894 to settle current liabilities of \$282,342.

Currency risk

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

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 six month period ended September 30, 2016.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

12. COMMITMENTS

The Company has the following commitments as of September 30, 2016:

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. The agreement has no specified term.
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. The Company is negotiating the terms of a new agreement with its Chief Financial Officer, and continues to accrue \$2,000 per month in line with the original agreement.
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 January 1, 2016, the Company entered into a verbal consulting agreement with its Controller whereby the Company will pay or accrue a maximum of \$5,000 per month for accounting and financial reporting services rendered. The agreement has no specified term.
6. On February 9, 2016 the Company entered into an agreement with CP Network Consolatoria Empresarial LTDA ("Capital Pros") whereby Capital Pros will provide the Company with business advisory services which will include a review of business documentation and an introduction to capital sources for the purpose of obtaining up to USD \$ 5,000,000 of invested capital for business expansion. The Company is committed to paying fees totaling USD \$15,000, of which USD \$10,000 will be paid in cash and USD \$5,000 in common shares. In addition, the Company is committed to paying a success fee of 6% of the value received in cash from the proceeds of the capital raised. The agreement was terminated during the six month ended September 30, 2016 and made a termination payment of USD \$7,500.
7. On February 1, 2016, the Company (through TL Pet) entered into an agreement with Pet Horizons Ltd, UK ("Pet Horizons") whereby Pet Horizons will develop strategic plans to launch the TL Pet products in Europe for an initial term ending June 2019. The sales territory includes the European Union, Switzerland, Norway, as well as, central and eastern Europe including Russia, Ukraine and Belarus. Pursuant to the agreement, the Company will pay a fixed amount of \$5,000 per month from February to June 2016 and \$3,500 per month from July 2016 to December 2016. Once distributors for the products have been appointed, remuneration to Pet Horizons will be at the rate of a 7% commission for the year ended June 30, 2017 and for the second and third year of the agreement the commission will be reduced to 5%.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the six month period ended September 30, 2015 consisted of the following:

1. The Company issued 50,000 common shares with a fair value of \$5,000 to settle accounts payable and accrued liabilities.
2. The Company issued 240,000 common shares with a fair value of \$24,000 for past consulting services provided.

The significant non-cash investing and financing activities during the six month period ended September 30, 2016 consisted of the following:

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Notes to Condensed Consolidated Interim Financial Statements
For the Six Month Period Ended September 30, 2016
(Expressed in Canadian dollars)

1. The Company issued 2,229,843 shares to settle debt totaling \$234,134.
2. The Company issued 601,843 shares on conversion of convertible debt totalling \$63,103.
3. As at September 30, 2016, a total of \$2,824 in inventory costs were included in accounts payable and accrued liabilities.
4. As at September 30, 2016, a total of \$7,382 in intangible asset costs were included in accounts payable and accrued liabilities.

The Company had no other non-cash investing or financing activities during the periods ended September 30, 2016 or 2015.

14. PROPOSED ACQUISITION

The Company had 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. While Wodema and the Company discussed the possibility of Wodema manufacturing the Company's hemp based treats during fiscal 2016, it was agreed this was not a possibility because of the Company's volume and product specification requirements. Accordingly, the Company and Wodema have verbally agreed to terminate the Right as at March 31, 2016.

Intangible Asset

During the six month period ended September 30, 2016 the company incurred \$10,318 (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 six month period ended September 30, 2016, and the Company expects to incur additional costs associated with the trademark process.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the six month period ended September 30, 2016, the Company:

1. Issued a total of 540,666 common shares pursuant to the exercise of share purchase warrants for total gross proceeds of \$108,466.
2. Issued a total of 500,000 common shares pursuant to the exercise of stock options for total gross proceeds of \$50,000
3. On November 17, 2016 the Company closed a privat placement of 1,984,049 common shares at a price of \$0.21 per share for gross proceeds of \$416,651. The common shares are subject to a hold period of four months and one day from the date of their issuance. The Company paid a cash finder's fee of \$1,744 in association with the financing.
4. On November 17, 2016 the Company issued a total of 231,942 common shares pursuant to debt settlement agreements with various vendors. The Company settled aggregate debt totaling \$48,708 through issuance of the shares at a value of \$0.21 per share.
5. On November 21, True Leaf Pet Inc. signed a binding Letter of Intent with a closing date of December 31, 2016, to purchase the assets and intellectual property of Orega Pet. The company hopes to complete the agreement by January 1, 2017, and then roll out a refreshed, True Leaf Pet-branded line to Canadian and US customers early next spring. Terms of the agreement are subject to final due diligence and regulatory approval. The purchase is subject to satisfactory completion of due diligence by True Leaf Pet Inc.