True Leaf Medicine International Ltd.
Consolidated Financial Statements
March 31, 2017
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
True Leaf Medicine International Ltd.

We have audited the accompanying consolidated financial statements of True Leaf Medicine International Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of True Leaf Medicine International Ltd. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

July 28, 2017

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

		March 31, 2017		March 31, 2016
Assets				
Current assets				
Cash	$	159,575	$	3,737
Receivables (Note 5)		66,179		12,925
Inventories (Note 5)		392,908		21,578
Prepaid expenses		15,920		7,542
Total current assets		634,582		45,782
Non-current assets				
Marketable securities (Note 6)		50		50
Capital assets (Note 7)		12,356		8,716
Intangible assets (Note 8)		124,635		35,008
Total assets	**$**	**771,623**	**$**	**89,556**
Liabilities and shareholders' equity (deficit)				
Current liabilities				
Accounts payable and accrued liabilities	$	211,452	$	390,931
Convertible debt – liability (Note 11)		-		58,416
Due to related parties (Note 10)		23,771		169,708
Promissory note payable (Note 9)		46,428		-
Total current liabilities		281,651		619,055
Non-current Liabilities				
Promissory note payable (Note 9)		63,169		-
Total Liabilities	**$**	**344,820**	**$**	**619,055**
Shareholders' equity (deficit)				
Share capital (Note 11)		5,088,454		2,436,675
Convertible debt – equity (Note 11)		-		4,373
Reserves		339,802		312,795
Deficit		(5,001,453)		(3,283,342)
Total shareholders' equity (deficit)		**426,803**		**(529,499)**
Total liabilities and shareholders' equity (deficit)	**$**	**771,623**	**$**	**89,556**

Nature of Operations and Going Concern (Note 1)
Commitments (Note 13)
Events After the Reporting Period (Note 17)

Approved on behalf of the Board of Directors on July 28, 2017

"Kevin Bottomley" Director *"Darcy Bomford"* Director

TRUE LEAF MEDICINE INTERNATIONAL LTD.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		Year Ended March 31, 2017		Year Ended March 31, 2016
Sales	$	374,438	$	37,330
Cost of sales		(279,072)		(26,117)
	$	95,366	$	11,213
Operating expenditures				
Accounting and legal (Note 10)	$	288,039	$	158,899
Accretion		3,192		3,187
Administrative and office		434,907		181,641
Advertising and marketing		403,559		207,511
Amortization - intangible assets (Note 8)		11,141		-
Consulting fees		268,591		142,848
Depreciation – capital assets (Note 7)		5,591		3,091
Directors' fees (Note 10)		7,500		7,500
Management fees (Note 10)		60,000		60,000
Research		49,136		24,152
Share-based compensation (Notes 10 and 11)		265,917		245,341
Total operating expenditures		(1,797,573)		(1,034,170)
Foreign exchange loss		(3,223)		(7,970)
Loss on debt settlement (Note 11)		(6,958)		(15,304)
Gain on debt forgiveness		-		8,992
Inventory obsolescence (Note 5)		(36,000)		(2,081)
Bargain purchase on acquisition of OregaPet assets (Note 4)		5,338		-
Loss and comprehensive loss for the year	**$**	**(1,743,050)**	**$**	**(1,039,320)**
Loss per common share – basic and diluted	$	(0.03)	$	(0.03)
Weighted average number of common shares outstanding – basic and diluted		54,039,396		39,515,639

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

(Expressed in Canadian dollars)

	Number of Shares	Shares Committed For Issuance	Share Capital	Convertible Debt - Equity	Reserves	Deficit	Total Shareholders' Equity (Deficit)
Balance, March 31, 2015	**37,956,663**	**$ 24,000**	**$ 2,046,933**	**$ -**	**$ 67,454**	$ **(2,244,022)**	$ **(105,635)**
Shares issued for past consulting services	240,000	(24,000)	33,600	-	-	-	9,600
Convertible debt	-	-	-	4,373	-	-	4,373
Shares issued for debt settlement	219,333	-	29,146	-	-	-	29,146
Private placements, net of share issue costs	3,555,953	-	326,996	-	-	-	326,996
Share-based compensation	-	-	-	-	245,341	-	245,341
Loss for the year	-	-	-	-	-	(1,039,320)	(1,039,320)
Balance, March 31, 2016	**41,971,949**	-	**2,436,675**	**4,373**	**312,795**	**(3,283,342)**	**(529,499)**
Shares issued for debt settlement, net of share issuance costs	2,461,785	-	289,800	-	-	-	289,800
Shares issued on conversion of debt	601,843	-	63,193	(4,373)	-	-	58,820
Private placements, net of share issuance costs	9,012,453	-	1,141,340	-	-	-	1,141,340
Shares issued on exercise of warrants	2,813,163	-	554,675	-	(25,200)	-	529,475
Shares issued on exercise of stock options	3,090,000	-	502,771	-	(188,771)	-	314,000
Fair value adjustment on exercise of stock options	-	-	-	-	(24,939)	24,939	-
Shares issued for acquisition of OregaPet assets	476,190	-	100,000	-	-	-	100,000
Share-based compensation	-	-	-	-	265,917	-	265,917
Loss for the year	-	-	-	-	-	(1,743,050)	(1,743,050)
Balance, March 31, 2017	**60,427,383`**	**$ -**	**$ 5,088,454**	**$ -**	**$339,802**	**$ (5,001,453)**	**$ (426,803)**

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended March 31, 2017	Year Ended March 31, 2016
Operating activities		
Loss for the year	$ (1,743,050)	$ (1,039,320)
Items not affecting cash:		
Depreciation – capital assets	5,591	3,091
Depreciation – intangible assets	11,141	-
Bargain purchase on acquisition of OregaPet assets	5,338	-
Accretion	3,192	3,187
Share-based compensation	265,917	245,341
Loss on debt settlement	6,958	15,304
Gain on debt forgiveness	-	(8,992)
Inventory obsolescence	36,000	2,081
Shares issued for consulting services	-	9,600
Changes in non-cash working capital items:		
Prepaid expenses	(8,378)	(3,792)
Accounts payable and accrued liabilities	(61,023)	286,782
Due to related parties	(10,096)	137,615
Inventories	(141,085)	(23,056)
Receivables	(53,254)	(12,925)
Net cash used in operating activities	(1,682,749)	(385,084)
Investing activities		
Purchase of capital assets	(9,231)	(3,501)
Intangible asset costs	(33,949)	(35,008)
Acquisition of OregaPet assets	(100,000)	-
Net cash used in investing activities	(143,180)	(38,509)
Financing activities		
Proceeds from issuance of share capital	1,998,107	334,625
Share issue costs	(16,340)	(4,581)
Proceeds from issuance of convertible debt	-	60,000
Net cash provided by financing activities	1,981,767	390,044
Change in cash for the year	155,838	(33,549)
Cash beginning of the year	3,737	37,286
Cash, end of the year	$ 159,575	$ 3,737

Supplemental disclosure with respect to cash flows (Note 14)

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

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"), True Leaf Pet Inc. ("TL Pet") and True Leaf Pet Europe LLC Sàrl ("TL Pet Europe"). TL Investments, TL Medicine and TL Pet 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 and TL Pet Europe was incorporated under the Business Corporation Act in Luxembourg on July 18, 2016. The Company's head office and registered office is located at 200, 1238 Homer Street, Vancouver, BC, V6B 2Y5.

On May 23, 2014, TL Investments completed a share exchange with TL Medicine and the sole shareholder of TL Medicine Inc in which TL Investments issued 25,000,000 common shares valued at $1,250,000 to that shareholder in exchange for all of the outstanding common shares of TL Medicine. The share exchange constituted a reverse takeover, with the sole shareholder of TL Medicine acquiring a control position in TL Investments.

On February 2, 2015, the Company completed a plan of arrangement which constituted a reverse takeover, with the shareholders of TL Investments acquiring a control position in the Company (the "Plan of Arrangement"). 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 *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") program administered by Health Canada. As at March 31, 2017, the Company does not have a license with the ACMPR and no products are in commercial production or use. The Company has not been granted an ACMPR 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 ACMPR 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 and TL Pet Europe have entered the Canadian, US and European natural pet product market with a product line consisting of hemp functional chews and supplemental products for pets.

<u>Going Concern</u>

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended March 31, 2017, the Company incurred a loss of $1,743,050 and earned $374,438 in revenues all of which was associated with the Company's TL Pet and TL Pet Europe operations. 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd...)

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 financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated 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"). These consolidated financial statements were authorized for issue by the Company's directors on July 28, 2017.

(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 subsidiaries: TL Investments, TL Medicine, TL Pet and TL Pet Europe. 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, with the exception of TL Pet Europe which has a functional currency of the Euro.

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.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

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

(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 CSE, the Company estimated the fair value of shares issued with reference to private placements with arm's length parties.

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.

(iii) Accounting for the business combination

The fair value of assets acquired and the resulting bargain purchase option required that management make estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired, including the associated deferred income taxes and resulting bargain purchase option, may be retrospectively adjusted when the final measurements are determined (within one year of acquisition date). The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, profitability of assets acquired, useful lives and discount rates.

(iv) Amortization rates for intangible assets

Amortization expenses are calculated based on assumed intangible asset lives. Should the intangible asset life or amortization rates differ from the initial estimate, an adjustment would be made in the consolidated statement of loss and comprehensive loss.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

(i) Functional currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

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

(ii) Business combination

Determination of whether the set of assets acquired constitute a business required the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of the Oregapet assets (Note 4) was determined to constitute a business acquisition.

(iii) Financial instruments

Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the consolidated statements of financial position subsequent to inception and how changes in value are recorded. The designation may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

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 "other financial liabilities" 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. Certain of the Company's receivables 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

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

(ii) Financial liabilities

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 and amounts due to related parties and promissory note payable 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 March 31, 2017 and 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.

Segmented information

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

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

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

On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from reserves and charged against deficit.

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.

Foreign currency translation

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

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

On translation of TL Pet Europe, whose functional currency is the Euro, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses are recorded in the consolidated statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

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

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability 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.

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 – 5 years
Website costs – 3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Capital assets (cont'd...)

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 depreciation, if no impairment loss had been recognized.

Intangible assets

The Company owns intangible assets consisting of various direct costs associated with the acquisition of trademarks and intellectual property. 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 standards not yet adopted

During the year ended March 31, 2017, 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:

- 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.
- New standard IFRS 15 "Revenues from contracts with Customers" This new standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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

- New standard IFRS 16 “Leases” This new standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model

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. ACQUISITION OF OREGAPET ASSETS

On December 22, 2016 the Company entered into an Asset Purchase Agreement (the “Agreement”) with T.L.M. Developments Ltd., a private British Columbia company (“TLM”), to purchase certain assets which make up the OregaPet pet product line (“OregaPet”). These assets consisted of trademarks, formulas, inventory and a customer list. No physical facilities, employees, market distribution systems or sales force were acquired. The Company acquired OregaPet with the intent to rebrand certain products under its TrueLeaf Pet branding.

On November 3, 2016 the Company made a non-refundable deposit of $1,000 upon signing the binding Term Sheet and a further non-refundable deposit on December 9, 2016, of $99,000 to secure the Agreement. The Company also issued 476,190 common shares with a fair value of $100,000 and issued a Promissory Note (the “Note”) (Note 9) with a face value of $139,283. The Note is repayable in equal monthly instalments over a term of three years commencing January 31, 2017. The Note does not bear interest, except in the case of a breach of the repayment terms for a period of more than 30 days in which case the entire balance of the Note will be payable immediately and interest at a rate of 12% will be payable on the unpaid balance from the date of such non-payment until the Note is repaid in full.

The acquisition of OregaPet was considered a business combination and was accounted for using the acquisition method. The excess of the aggregate fair value of net assets acquired over the consideration paid is considered a gain on bargain purchase and is recognized in the consolidated statement of loss and comprehensive loss.

The purchase price allocation based on the fair value of OregaPet’s assets acquired and liabilities assumed is summarized as follows:

		December 31, 2016
Purchase Price:		
Cash	$	100,000
Common shares		100,000
Promissory Note – current		43,870
Promissory Note – long term		74,142
Total purchase price	$	318,012
Purchase Price Allocation:		
Intangible assets	$	55,500
Inventories		267,850
Net assets acquired		323,350
Gain on bargain purchase	$	5,338

(Expressed in Canadian dollars)

5. RECEIVABLES AND INVENTORIES

Receivables

		March 31, 2017		March 31, 2016
Trade receivables	$	62,098	$	10,259
Goods and services tax receivable		4,081		2,666
	$	66,179	$	12,925

Trade receivables are non-interest bearing and are due within 30 days. As at March 31, 2017, the Company did not have any trade receivables that were past due. The Company's allowance for doubtful accounts at March 31, 2017 was $nil (March 31, 2016 - $nil).

During the year ended March 31, 2017, revenues from the two largest customers amounted to 26.76% (2016 - 96.57%) of total sales. As at March 31, 2017, these two customers amounted to 15.53% (March 31, 2016 - 99.9%) of total trade receivables.

Inventories

		March 31, 2017		March 31, 2016
Finished goods	$	92,207	$	7,479
Supplies		300,701		14,099
	$	392,908	$	21,578

During the year ended March 31, 2017, the Company wrote off $36,000 (2016 - $2,081) associated with inventory obsolescence.

6. MARKETABLE SECURITIES

In connection with the Plan of Arrangement (Note 1), the Company received 5,000 common shares of Noor Energy Corporation valued at $0.01 per share.

(Expressed in Canadian dollars)

7. CAPITAL ASSETS

Cost:		Website		Office Equipment		Leasehold Improvements		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		-		5,537		3,694		9,231
Balance, March 31, 2017	$	10,801	$	7,642	$	3,694	$	22,137
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 the year		3,601		1,251		739		5,591
Balance, March 31, 2017	$	7,256	$	1,786	$	739	$	9,781
Net book values								
As at March 31, 2016		7,146		1,570		-		8,716
As at March 31, 2017	**$**	**3,545**	**$**	**5,856**	**$**	**2,955**	**$**	**12,356**

8. INTANGIBLE ASSETS

Cost:		Trademarks and related costs		Intellectual property		Total
Balance - March 31, 2015	$	-	$	-	$	-
Additions		35,008		-		35,008
Balance - March 31, 2016		35,008		-		35,008
Additions		45,268		55,500		100,768
Balance – March 31, 2017	$	80,276	$	55,500	$	135,776

Accumulated amortization		Trademarks and related costs		Intellectual property		Total
Balance - March 31, 2015	$	-	$	-	$	-
Additions		-		-		-
Balance - March 31, 2016		-		-		-
Additions		5,591		5,550		11,141
Balance – March 31, 2017	$	5,591	$	5,550	$	11,141

Carrying value		Trademarks and related costs		Intellectual property		Total
As at March 31, 2016	$	35,008	$	-	$	35,008
As at March 31, 2017	**$**	**74,685**	**$**	**49,950**	**$**	**124,635**

9. PROMISSORY NOTE

As at March 31, 2017, the Company had an obligation under a Promissory Note (Note 4) totaling $109,597 (March 31, 2016 -$nil).

10. RELATED PARTY BALANCES AND TRANSACTIONS

During the year ended March 31, 2017, the Company:

1. Paid or accrued a total of $60,000 (2016 - $60,000) to its Chief Executive Officer for management fees;
2. Paid or accrued a total of $30,000 (2016 - $30,000) to a company controlled by its Chief Executive Officer for rent;
3. Paid or accrued a total of $24,000 (2016 - $24,000) to its Chief Financial Officer for accounting fees;
4. Paid or accrued a total of $7,500 (2016 - $7,500) in directors' fees; and
5. Paid or accrued $14,271 (2016 – $9,558) to a company controlled by its Chief Executive Officer for costs associated with supplies inventory.

As at March 31, 2017, the Company is indebted to its Chief Executive Officer (including companies controlled by its Chief Executive Officer) in the amount of $14,271 (March 31,2016 - $143,648) for management fees, supplies inventory and expenses paid on the Company's behalf, its Chief Financial Officer in the amount of $2,000 (March 31, 2016 - $14,000) for accounting fees and $7,500 (March 31, 2016 - $12,060) for directors' fees and expense reimbursement to the Company's other directors. The amounts are unsecured, non-interest bearing with no scheduled terms of repayment.

On March 19, 2015, the Company granted a total of 3,750,000 stock options, 2,000,000 of which were to directors and officers of the Company having a fair value of $121,653. During the year ended March 31, 2016, the Company recognized $109,784 in share-based compensation expense associated with the stock options granted to related parties.

On December 12, 2016, the Company granted a total of 2,799,995 stock options, 1,642,875 of which were to directors and officers of the Company having a fair value of $156,025.

11. SHARE CAPITAL

Authorized:

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

Issued:

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 one additional common share at a price of $0.15 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering. The Company incurred $3,048 in share issue costs associated with this financing.

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

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 completed 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 into one additional common share at price of $ 0.15 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering. The Company incurred $4,581 in share issue costs associated with this financing.
4. During the year ended March 31, 2016, the Company issued 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.

The Company had the following share capital transactions during the year ended March 31, 2017:

1. The Company issued 2,813,163 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $529,475.
2. On May 11, 2016 the Company completed a private placement of 7,028,404 common shares at a price of $0.105 per share for gross proceeds of $737,982. The Company incurred share issue costs of $13,292 in association with the financing.
3. On May 11, 2016 the Company issued 2,229,843 common shares at a value of $0.105 per share pursuant to debt settlement agreements with various vendors. The Company settled aggregate debt totaling $234,134 through issuance of these shares.
4. On May 11, 2016 the Company issued 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 Enterprises Inc.
5. On September 15, 2016 the Company issued 250,000 common shares pursuant to the exercise of stock options for gross proceeds of $25,000.
6. On September 15, 2016 the Company issued 500,000 common shares pursuant to the exercise of stock options for gross proceeds of $50,000.
7. On November 11, 2016 the Company completed a private placement of 1,984,048 common shares at a price of $0.21 per share for gross proceeds of $416,650.
8. On November 17, 2016 the Company issued 231,942 common shares at a value of $0.24 per share pursuant to debt settlement agreements with various vendors. The Company settled aggregate debt totaling $48,708 through the issuance of these shares, incurred share issue costs of $1,744 in association with the transaction and recognized a loss on debt settlement in the amount of $6,958.
9. On December 30, 2016 the Company issued 476,190 common shares to satisfy $100,000 of the OregaPet purchase price at a value of $0.21 per share (Note 4).
10. On February 24. 2017 the Company issued 250,000 common shares pursuant to the exercise of stock options for gross proceeds of $30,000.
11. In March 2017 the Company issued 2,090,000 common shares pursuant to the exercise of stock options for gross proceeds of $209,000.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

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 was due on April 30, 2016 and bore interest at a rate of 10% per annum. First Pacific had 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 exercisable into one additional common share at a price of $0.15 for a period of two years. During the year ended March 31, 2017, the Company recognized $nil (2016 - $3,187) in accretion expense associated with the liability component of the convertible debt.

The loan was converted during the year ended March 31, 2017 which resulted in the issuance of 601,842 common shares and 300,921 share purchase warrants.

Share purchase warrants

Share purchase 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 expired	(5,886,664)		0.21
Warrants and broker warrants exercised	(2,813,163)		0.19
Warrants issued	300,921		0.15
Balance, March 31,2017	**1,816,398**	**$**	**0.15**

As at March 31, 2017 the following share purchase warrants are outstanding:

	Number of Warrants	Exercise Price ($)	Expiry Date
Warrants	525,000	0.15	August 11, 2017
Warrants	990,477	0.15	January 18, 2018
Warrants	300,921	0.15	May 12, 2018
	1,816,398		

(Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd…)

Stock options

The Company has a Stock Option Plan (the "Plan") in place under which it is authorized to grant options to directors, executive officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company in any twelve-month period. Under the Plan, the exercise price of each stock option is subject to a minimum of $0.10 and may not be less than the closing market price of Company's common 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 five 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, 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	(3,090,000)		0.10
Stock options expired	(410,000)		0.10
Stock options granted	2,799,995		0.19
Balance, March 31, 2017	**3,149,995**	**$**	**0.18**

As at March 31, 2017 the following stock options are outstanding and exercisable:

	Number of Options	Exercise Price ($)	Expiry Date
Stock options	250,000	0.12	February 17, 2018
Stock options	100,000	0.14	February 19, 2018
Stock options	2,799,995	0.19	December 12, 2018
	3,149,995		

On March 19, 2015, the Company granted a total of 3,750,000 stock options to directors, officers, employees and consultants 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.

11. SHARE CAPITAL (cont'd…)

Stock options (continued)

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

On February 17, 2016, the Company granted 500,000 stock options to consultants 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 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 December 12, 2016 the Company granted a total of 2,799,995 stock options to directors, officers, employees and consultants that vested immediately. The stock options were valued at $265,917 ($0.095 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, historical volatility of 97.5%, risk-free rate of 0.76% and expected dividends of $nil.

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of accounts payable and accrued liabilities and due to related parties approximates their fair value because of the short-term nature of these instruments.

The fair values of cash and marketable securities are measured based on level 1 inputs of the fair value hierarchy.

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

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, 2017:

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, 2017, 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, 2017, the Company has cash of $159,575 to settle current liabilities of $281,651.

Currency risk

The Company is not exposed to any currency risk as of March 31, 2017.

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. As at March 31, 2017, the Company does not have any liabilities that bear interest at rates fluctuating with the prime rate.

Capital Management

The Company's capital includes share capital and the accumulated deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. The Company has not changed its approach to capital management during the year ended March 31, 2017.

13. COMMITMENTS

The Company has the following commitments as of March 31, 2017:

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 two years. Subsequent to March 31, 2017, 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 rental agreement has an initial term of one year at a rate of $2,000 per month commencing April 1, 2014. In August 2016 under a mutual verbal agreement the rent was reduced to $1,000 per month commencing September 1, 2016 with no expiry date. The owner of the property has the right to cancel the rental agreement 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.
5. 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 and 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%.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the year ended March 31, 2016 consisted of the following:

1. The Company issued 219,333 common shares with a value of $29,146 to settle debt totaling $13,842.
2. As at March 31, 2016, a total of $603 in inventory costs were included in accounts payable and accrued liabilities.
3. As at March 31, 2016, a total of $3,048 in share issue costs were included in accounts payable and accrued liabilities.

The significant non-cash investing and financing activities during the year ended March 31, 207 consisted of the following:

1. The Company issued 2,461,785 common shares to settle debt totaling $289,800. Of this amount, 1,293,728 shares were issued to settle related party debt of $135,841.
2. The Company issued 601,843 common shares and 300,921 share purchase warrants to settle convertible debt (Note 11) of $63,193 with a related company.

(Expressed in Canadian dollars)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

3. As at March 31, 2017, a total of $7,010 in inventory costs were included in accounts payable and accrued liabilities.
4. As at March 31, 2017, a total of $14,271 in inventory costs were included in due to related parties.
5. As at March 31, 2017, a total of $11,319 in intangible asset costs were included in accounts payable and accrued liabilities.
6. The fair value of $24,939 relating to 410,000 stock options expired during the year was recorded as an reduction from reserves with an offset to deficit.
7. The fair value of $25,200 relating to 2,813,163 share purchase warrants exercised during the year was recorded as an increase to share capital and a reduction from reserves.
8. The fair value of $188,771 relating to 3,090,000 stock options exercised during the year was recorded as an increase to share capital and a reduction from reserves.

15. INCOME TAXES

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

	2017	2016
Loss for the year	$ (1,743,050)	$ (1,039,320)
Expected income tax expense (recovery)	$ (453,000)	$ (270,000)
Change in statutory tax rates and other	21,000	10,000
Permanent differences	71,000	64,000
Share issue costs	(3,000)	(10,000)
Change in unrecognized deductible temporary differences	364,000	206,000
Total income tax expense (recovery)	$ -	$ -

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

	2017	2016
Deferred tax assets:		
Share issue costs	$ 8,000	$ 6,000
Capital assets	2,000	-
Intangible assets	1,000	-
Non-capital losses available for future periods	792,000	433,000
	803,000	438,000
Unrecognized deferred tax assets	(803,000)	(438,000)
Net deferred tax assets	$ -	$ -

(Expressed in Canadian dollars)

15. INCOME TAXES (cont'd…)

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

		2017	Expiry Date Range		2016	Expiry Date Range
Temporary differences:						
Share issue costs	$	31,000	2037 to 2039	$	24,000	2037 to 2040
Capital assets	$	10,000	No expiry date	$	4,000	No expiry date
Intangible assets	$	4,000	No expiry date	$	-	No expiry date
Non-capital losses available for future periods	$	3,078,000	Various – see below	$	1,656,000	Various – see below

As at March 31, 2017, the Company has $2,999,000 (March 31, 2016 - $1,656,000) of Canadian non-capital losses that expire between 2034 and 2037, and $79,000 (March 31, 2016 - $nil) of European non-capital losses that have no expiration date. Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. SEGMENTED INFORMATION

As at March 31, 2017, the Company has one operating segment, being the sale of hemp-based nutrition for pets in North America and Europe, which accounts for all of the Company's revenues from inception to date.

Geographic segment details as at March 31, 2017 is as follows:

		North America		Europe		Total
Cash	$	152,906	$	6,669	$	159,575
Capital assets		12,356		-		12,356
Intangible assets		124,635		-		124,635
Total assets	$	289,897	$	6,669	$	296,566

As at March 31, 2016, all of the Company's cash and non-current assets were located in North America.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended March 31, 2017:

1. The Company completed two private placements and issued a total of 7,741,645 units at a price of $0.30 per unit for gross proceeds of $2,322,495. Each unit consists of one common share of the Company and one share purchase warrant exercisable into one common share at price of $0.45 for a period of two years. The Company paid a cash finder's fee of $31,091 in association with these financings.
2. The Company granted a total of 3,900,000 stock options to directors, officers, employees and consultants that vested immediately. The stock options are exercisable at a price of $0.395 for a period of two years.
3. The Company issued a total of 1,488,759 common shares pursuant to the exercise of stock options for gross proceeds of $270,579.
4. The Company granted 300,000 stock options to an employee that vested immediately. The stock options are exercisable at a price of $0.445 for a period of two years.