

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

August 29, 2017

MANAGEMENT DISCUSSION & ANALYSIS

This Management’s Discussion & Analysis (this “MD&A”) has been prepared by management and should be read in conjunction with the condensed interim consolidated financial statements of the Company together with the related notes thereto for the three month period ended June 30, 2017, as well as our audited consolidated financial statements and accompanying MD&A for the year ended March 31, 2017. The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) and interpretations of the *International Financial Reporting Interpretations Committee* (“IFRIC”). All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

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

OVERVIEW

The Company was incorporated on June 9, 2014 under the *Business Corporations Act* (British Columbia) (“BCBCA”) and has three wholly-owned subsidiaries, being True Leaf Investments Corp. (“TL Investments”), which was incorporated on March 26, 2014 under the BCBCA, True Leaf Medicine Inc. (“TL Medicine”), which was incorporated on July 4, 2013 under the BCBCA, and True Leaf Pet Inc. (“TL Pet”), which was incorporated on November 18, 2015 under the BCBCA. The Company’s registered office is Suite 200, 1238 Homer Street, Vancouver, BC V6B 2Y5. On July 18, 2016 the Company incorporated a new subsidiary in Luxembourg, True Leaf Pet Europe LLC Sàrl (“TL Pet Europe”), for business expansion of TL Pet operations into Europe. TL Pet Europe is 98% owned by TL Pet, with the remaining 2% being owned by the operations manager in Luxembourg.

On May 23, 2014, TL Investments completed a share exchange with TL Medicine and the sole shareholder of TL Medicine in which TL Investments issued 25,000,000 common shares valued at

\$1,250,000 to that shareholder 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”, and on July 20, 2017 the Company began trading on the OTC Market Group’s OTCQB® Venture Market under the ticker symbol “TRLFF”.

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 June 30, 2017, the Company does not have a license with the ACMPR and no products are in commercial production or use. The Company will be required to satisfy additional obligations in order to qualify including the completion of a compliant facility on a parcel of leased land in Lumby, British Columbia. There is a significant risk that the Company will not receive an 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.

On December 30, 2016, the Company completed an asset purchase agreement with T.L.M. Developments Ltd., a private company incorporated under the BCBCA, to purchase certain assets which make up the OregaPet product line (“OregaPet”). The acquisition of OregaPet was considered a business combination and was accounted for using the acquisition method. The OregaPet natural-remedy product line aligns perfectly with the Company’s “Quality of Life” focus and the addition of 10 new items is expected to give the Company a significant boost to its in-store presence. The Company is currently readying the product line for markets in North America and Europe by fine-tuning the labelling, marketing materials and formulations to insure they are compliant in all markets.

In January 2017, the Company decided to undertake a Regulation A+ crowdfunding campaign and successfully submitted an application to the SEC in early February 2017. The Company answered several requests for more information from the SEC including the year-end financial statements which it views as the last step before approval. Subject to this, the Company plans to go live with its crowdfunding campaign sometime in September 2017.

In the spring of 2017, the Company applied to have its common shares quoted on the OTC Market Group’s OTCQB® Venture Market; the shares commenced trading in mid-July under the symbol “TRLFF”.

SUMMARY OF QUARTERLY RESULTS

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.

Description	Three months ended June 30, 2017 \$	Three months ended March 31, 2017 \$	Three months ended Dec 31, 2016 \$	Three months ended Sept 30, 2016 \$	Three months ended June 30, 2016 \$	Three months ended March 31, 2016 \$	Three months ended Dec 31, 2015 \$	Three Months ended Sept 30, 2015 \$
Net Revenues	126,215	(1,051)	56,084	33,091	7,242	11,103	110	-
Income (loss) before other items								
Total	(1,628,206)	(235,274)	(684,868)	(420,269)	(361,796)	(233,075)	(206,840)	(236,391)
Net and comprehensive income (loss) for period								
Total	(1,505,621)	(376,349)	(623,661)	(387,771)	(355,269)	(249,328)	(206,730)	(236,391)
Per share	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

ACQUISITION OF OREGAPET

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

	December 30, 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

RECEIVABLES AND INVENTORIES

Receivables

	June 30, 2017	March 31, 2017
Trade receivables	\$ 122,648	\$ 62,098
Goods and services tax receivable	6,325	4,081
	\$	\$
	128,973	66,179

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

During the three month period ended June 30, 2017, revenues from the two largest customers amounted to 34.59% (June 30, 2016 - 53.35%) of total sales. As at June 30, 2017, these two customers amounted to 39.85% (March 31, 2017 - 15.53%) of total trade receivables.

Inventories

	June 30, 2017	March 31, 2017
	\$	\$
Finished goods	190,087	92,207
Supplies	401,874	300,701
	\$	\$
	591,961	392,908

CAPITAL ASSETS

Cost:	Website		Office Equipment		Leasehold Improvements		Total
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
Additions		-		4,694		-	4,694
Balance, June 30, 2017	\$	10,801	\$	12,336	\$	3,694	\$ 26,831
Accumulated depreciation:							
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
Depreciation for the period		900		382		185	1,467
Balance, June 30, 2017	\$	8,156	\$	2,168	\$	924	\$ 11,248
Net book values							
As at March 31, 2017		3,545		5,856		2,955	12,356
As at June 30, 2017	\$	2,645	\$	10,168	\$	2,770	\$ 15,583

PLAN OF OPERATIONS

As described above, the Company, through TL Medicine, is seeking to become a licensed producer of medical marijuana under the ACMPR.

The Company received a 'Ready to Build' approval for its first licensing application in January 2014; however, issues arose with the facility location and local zoning. In March 2014, the Company secured a second location, and on April 8, 2014, the Company submitted a second licensing application. As at June 30, 2017, the Company does not have a license with the ACMPR and no products are in commercial

production or use. The Company will be required to satisfy additional obligations in order to qualify including the completion of a compliant facility on a parcel of leased land in Lumby, British Columbia.

There is a significant risk that the Company will not receive an 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.

While True Leaf waits for Health Canada to approve its application for a license to produce and distribute medical marijuana in Canada, it is establishing a niche in the North American cannabis industry by focusing on the quality of life for pets with the True Leaf Pet brand.

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

1. Successfully market and complete a minimum \$10,000,000 Regulation A+ crowdfunding campaign in the USA and Canada to provide capital to the Company's two main divisions: TL Pet and TL Medicine.
2. Build market share, secure new customers and launch new products in the North American and European natural pet product market for the Company's line of innovative supplements and natural remedy products for pets.
3. Commence build-out of the Company's medicinal cannabis production facility located in Lumby, BC, in order to comply with Health Canada's requirements to become a licensed producer under the ACMPR.

The Company's long-term business objectives are:

1. For TL Pet:
 - a. Carve a niche in the global pet industry as a trusted brand supplying innovative supplements and natural remedy products for pets that are sold in the pet specialty, mass-pet, veterinary and food/mass/drug market segments.
 - b. Assess the feasibility of using the active ingredients of the cannabis plant to develop preventative and therapeutic products for pets as alternatives to common vet pharmaceutical products.
2. For TL Medicine:
 - a. Complete construction of the medicinal cannabis facility and be approved as a licensed producer of medicinal cannabis under the ACMPR in Canada.
 - b. Achieve commercial distribution of medical marijuana.
 - c. Increase its patient customer base annually through its marketing campaign.
 - d. As demand for the product increases, seek to expand production capacity and increase expenditures on research and development.

RESULTS OF OPERATIONS

Three month ended June 30, 2017 and the three month ended June 30, 2016

The Company incurred a net and comprehensive loss of \$1,505,621 for the three month period ended June 30, 2017, compared to a net and comprehensive loss of \$355,269 for the three month period ended June 30, 2016. Some of the items comprising the loss for the three months ended June 30, 2017 were accounting and legal fees of \$93,917 (June 30, 2016 - \$52,299), share-based compensation of \$793,020 (June 30, 2016 - \$nil), marketing and advertising costs of \$461,937 (June 30, 2016 - \$58,128) and

administrative and office costs of \$192,328 (June 30, 2016 - \$90,128). We increased sales to \$294,244 from \$37,330 the previous year, a direct result of additional sales to our Canadian distributors and launched the TL Pet products to new US and European distributors. Our product inventory increased to \$591,961 to service immediate sales to US, Canadian and European customers. The closing of private placements in which the Company raised \$2,289,574 in the first quarter as well as various warrant and stock option exercises in the three months ended June 30, 2017 increased the ending cash position to \$1,926,772 (June 30, 2016 - \$393,812) and increased the current liabilities to \$497,279 (June 30, 2016 - \$281,651). Gross margins for the period ended June 30, 2017 were still lower than expected and associated with increased promotional and R&D costs attributed to the start-up sales phase for the hemp-based functional chews and supplemental products.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had cash of \$1,926,772 and working capital of \$2,164,730. The Company's operations during the three month period ended June 30, 2017 were funded primarily by two private placements and various option and warrant exercises as described below.

Date	Total Proceeds (\$)	Securities Issued
May 29, 2017	929,95	3,099,829 units at a price of \$0.30 per unit, with each unit comprised of one common share and one warrant exercisable into one additional common share at a price of \$0.45 per share for a period of two years
June 12, 2017	1,392,545	4,641,816 units at a price of \$0.30 per unit, with each unit comprised of one common share and one warrant exercisable into one additional common share at a price of \$0.45 per share for a period of two years
Three months ended June 30, 2017	252,075	1,388,758 shares at an average price of \$0.19 per share

Going Concern

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the three month period ended June 30, 2017, the Company incurred a loss of \$1,505,621 and earned revenues of \$294,244. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional funding through private placement financings. Management is of the opinion that it does not have sufficient working capital to fund future operations and will require external financing. There is a risk that financing will not be available on a timely basis or on terms acceptable to the Company. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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

RELATED PARTY TRANSACTIONS

During the three month period ended June 30, 2017, the Company:

1. Paid or accrued a total of \$17,500 (June 30, 2016 - \$15,000) to its Chief Executive Officer for management fees;
2. Paid or accrued a total of \$7,500 (June 30, 2016 - \$7,500) to a company controlled by its Chief Executive Officer for rent;
3. Paid or accrued a total of \$6,000 (June 30, 2016 - \$6,000) to its Chief Financial Officer for accounting fees; and
4. Paid or accrued a total of \$1,875 (June 30, 2016 - \$1,875) in directors' fees.

As at June 30, 2017, the Company is indebted to its Chief Executive Officer (including companies controlled by its Chief Executive Officer) in the amount of \$nil (March 31, 2017 - \$14,271), its Chief Financial Officer in the amount of \$nil (March 31, 2017 - \$2,000) and \$6,875 (March 31, 2017 - \$7,500) 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 May 29, 2017, the Company granted a total of 3,900,000 stock options, 1,400,000 of which were to directors and officers of the Company having a fair value of \$284,675.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred non-voting shares without par value. As of August 29, 2017, the total number of issued and outstanding common shares was 70,032,787 and there were no preferred shares outstanding.

During the three month period ended June 30, 2017, the Company issued the following securities:

1. The Company issued 1,388,758 common shares pursuant to the exercise of the exercise of stock options for gross proceeds of \$252,075.
2. On May 29, 2017, the Company completed a private placement by issuing 3,099,829 units at a price of \$0.30 per unit for gross proceeds of \$929,950. 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 \$0.45 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 \$12,474 in share issue costs associated with this financing.
3. On June 12, 2017, the Company completed a private placement by issuing 4,641,816 units at a price of \$0.30 per unit for gross proceeds of \$1,392,545. 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 \$0.45 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 \$20,447 in share issue costs associated with this financing.

Warrants

As at August 29, 2017 the following warrants are outstanding:

	Number of Warrants	Exercise Price (\$)	Expiry Date
Warrants	525,000	0.15	August 11, 2017
Warrants	990,447	0.15	January 18, 2018
Warrants	300,921	0.15	May 12, 2018

Warrants	3,099,829	0.45	May 29, 2019
Warrants	4,641,816	0.45	June 12, 2019
	9,558,043		

Stock Options

As at August 29, 2017 the following stock options are outstanding and exercisable:

	Number of Options	Exercise Price (\$)	Expiry Date
Stock options	175,521	0.12	February 17, 2018
Stock options	100,000	0.14	February 19, 2018
Stock options	1,385,715	0.19	February 19, 2018
Stock options	3,900,000	0.40	May 29, 2019
Stock options	300,000	0.45	July 18, 2019
	5,861,236		

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.

On May 29, 2017 the Company granted a total of 3,900,000 stock options to directors, officers, employees and consultants that vested immediately. The stock options were valued at \$793,020 (\$0.203 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, historical volatility of 95.8%, risk-free rate of 0.71% and expected dividends of \$nil.

FINANCIAL INSTRUMENTS

Fair Value

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

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

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

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

Risk

The Company is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of June 30, 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 June 30, 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 June 30, 2017, the Company had cash of \$1,926,772 to settle current liabilities of \$497,279.

Currency risk

The Company was not exposed to any currency risk as of June 30, 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 June 30, 2017, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

CHANGES IN ACCOUNTING POLICIES

New standards not yet adopted

During the three month period ended June 30, 2017, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's 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.
- 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

SUBSEQUENT EVENTS

Subsequent to the three month period ended June 30, 2017:

1. On July 18, 2017 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.
2. On July 12, 2017 the Company issued 100,000 common shares pursuant to the exercise of stock options for gross proceeds of \$18,500.
3. On August 11, 2017 the Company issued 375,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$56,250.

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of August 29, 2017.

ADDITIONAL INFORMATION

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