True Leaf Medicine International Ltd.
Condensed Consolidated Interim Financial Statements
For the Nine Months ended December 31, 2017 and December 31, 2016

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

The accompanying unaudited condensed consolidated interim financial statements of True Leaf Medicine International Ltd. for the nine months ended December 31, 2017 and December 31, 2016 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

		December 31, 2017		March 31, 2017
Assets				
Current assets				
Cash	$	900,517	$	159,575
Receivables (Note 5)		116,232		66,179
Inventories (Note 6)		824,430		392,908
Prepaid expenses		145,573		15,920
Total current assets		1,986,752		634,582
Non-current assets				
Marketable securities (Note 7)		50		50
Capital assets (Note 8)		122,640		12,356
Capital assets deposit (Note 8)		100,000		-
Intangible assets (Note 9)		136,959		124,635
Total assets	**$**	**2,346,401**	**$**	**771,623**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$	259,571	$	211,452
Due to related parties (Note 11)		-		23,771
Promissory note payable (Note 10)		46,428		46,428
Total current liabilities		305,999		281,651
Non-current liabilities				
Promissory note payable (Note 10)		37,168		63,169
Total liabilities	**$**	**343,167**	**$**	**344,820**
Shareholders' equity (deficit)				
Share capital (Note 12)		8,823,984		5,088,454
Share subscriptions received		19,500		-
Reserves		877,562		339,802
Deficit		(7,717,812)		(5,001,453)
Total shareholders' equity (deficit)		**2,003,234**		**426,803**
Total liabilities and shareholders' equity (deficit)	**$**	**2,346,401**	**$**	**771,623**

Nature of Operations and Going Concern (Note 1)
Commitments (Note 14)
Subsequent Events (Note 17)

Approved on behalf of the Board of Directors on February 27, 2018

_______________________ Director _______________________ Director

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

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

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

		For the Three Months Ending			For the Nine Months Ending			
		December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016
Revenue	$	268,230	$	144,390	$	1,034,985	$	272,276
Cost of sales		(181,024)		(88,306)		(647,044)		(170,615)
Gross profit	$	87,206	$	56,084	$	387,941		101,661
Operating Expenditures								
Accounting and legal (Note 11)	$	143,492	$	54,393	$	382,703	$	196,398
Accretion expense		2,940		-		8,819		-
Administrative and office		265,525		121,466		697,059		308,875
Advertising and marketing		189,919		112,835		807,874		338,310
Amortization – intangible assets (Note 9)		5,304		-		17,154		-
Consulting fees		107,805		25,227		232,904		202,424
Depreciation – capital assets (Note 8)		8,688		773		10,381		2,318
Directors' fees (Note 11)		1,875		1,875		5,625		5,625
Management fees (Note 11)		22,500		15,000		62,500		45,000
Research		16,521		38,948		24,338		58,833
Share-based compensation (Notes 11,12)		-		314,351		869,360		314,351
Total operating expenditures		764,569		684,868		3,118,717		1,472,134
Loss from operations		(677,363)		(628,784)		(2,730,775)		(1,370,473)
Bargain purchase on acquisition of OregaPet (Note 4)		-		5,338		-		5,338
Foreign exchange gain (loss)		6,658		(215)		14,416		(6,583)
Loss and comprehensive loss for the period	**$**	**(670,705)**	**$**	**(623,661)**	**$**	**(2,716,359)**	**$**	**(1,371,718)**
Loss per common share – basic and diluted	$	(0.04)	$	(0.01)		(0.04)	$	(0.03)
Weighted average number of common shares outstanding - basic and diluted		70,617,616		55,385,239		68,133,904		52,574,197

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 Capital	Share Subscriptions Received	Convertible Debt - Equity	Reserves	Deficit	Total Shareholders' Equity (Deficit)
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	281,097	-	-	-	-	281,097
Shares issued on conversion of debt	601,843	63,193	-	(4,373)	-	-	58,820
Private placement, net of share issuance costs	9,012,452	1,142,658	-	-	-	-	1,142,658
Shares issued on exercise of warrants	2,813,163	554,674	-	-	(25,200)	-	529,474
Shares issued on exercise of stock options	750,000	120,620	-	-	(45,620)	-	75,000
Shares issued for acquisition of OregaPet	476,190	100,000	-	-	-	-	100,000
Share-based compensation	-	-	-	-	314,351	-	314,351
Loss for the period	-	-	-	-	-	(1,371,718)	(1,371,718)
Balance, December 31, 2016	**58,087,382**	**$ 4,698,917**	**$ -**	**$ -**	**$ 556,326**	**$ (4,655,060)**	**$ 600,183**
Balance, March 31, 2017	**60,427,383**	**$ 5,088,454**	**$ -**	**$ -**	**$ 339,802**	**$ (5,001,453)**	**$ 426,803**
Private placement, net of share issuance costs	7,741,645	2,289,574	-	-	-	-	2,289,574
Shares issued on exercise of warrants	1,628,015	469,777	-	-	-	-	469,777
Shares issued on exercise of stock options	2,488,759	976,179	-	-	(331,600)	-	644,579
Share-based compensation	-	-	-	-	869,360	-	869,360
Share subscriptions received	-	-	19,500	-	-	-	19,500
Loss for the period	-	-	-	-	-	(2,716,359)	(2,716,359)
Balance, December 31, 2017	**72,285,802**	**$ 8,823,984**	**$ 19,500**	**$ -**	**$ 877,562**	**$ (7,717,812)**	**$ 2,003,234**

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)

		Nine months ended December 31, 2017		Nine months ended December 31, 2016
Operating activities				
Loss for the period	$	(2,716,359)	$	(1,371,718)
Items not affecting cash:				
Depreciation – capital assets		10,381		2,318
Amortization – intangible assets		17,154		-
Accretion expense		8,819		-
Share-based compensation		869,360		314,351
Bargain purchase on acquisition of OregaPet		-		(5,338)
Changes in non-cash working capital items:				
Prepaid expenses		(129,653)		(14,793)
Accounts payable and accrued liabilities		48,119		(58,920)
Due to related parties		(23,771)		(18,860)
Inventories		(431,522)		(121,459)
Receivables		(50,053)		(81,989)
Net cash used in operating activities		(2,397,525)		(1,356,408)
Investing Activities				
Purchase of capital assets		(120,665)		(9,231)
Intangible asset costs		(29,478)		(20,620)
Capital asset deposit		(100,000)		-
Acquisition of OregaPet		-		(100,000)
Net cash used in investing activities		(250,143)		(129,851)
Financing activities				
Proceeds from issuance of share capital		2,322,495		1,154,633
Proceeds from exercise of stock options		644,579		75,000
Proceeds from exercise of warrants		469,777		529,474
Share issue costs		(32,921)		(13,719)
Share subscriptions received		19,500		-
Payment of promissory note		(34,820)		-
Net cash provided by financing activities		3,388,610		1,745,388
Change in cash for the period		740,942		259,129
Cash, beginning of the period		159,575		3,737
Cash, end of the period	$	900,517	$	262,866

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim 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 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. 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 1055 West Hastings Street, Suite 1700, Vancouver, BC V6E 2E9.

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

On February 2, 2015, the Company executed a Plan of Arrangement. 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 *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”) program administered by Health Canada. As at December 31, 2017, the Company has approval by Health Canada to build its grow facility and has completed the security clearance stage, but 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 owned 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.

The Company also manufactures and distributes 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 condensed consolidated interim financial statements (the “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. On January 24, 2018 the Company closed a financing which raised an aggregate total of $14,051,655 in two offerings (Note 17), the proceeds of which will be used to execute on the Company’s business plan, including construction of its grow facility (Note 8). For the nine month period ended December 31, 2017, the Company incurred a loss of $2,716,359 and had an accumulated deficit of $7,717,812. The Company earned revenues of $1,034,985 (2016 - $272,276) from TL Pet and TL Pet Europe; although, these two operations have not yet achieved profitability. Management believes that the subsequent financings will provide adequate liquidity to support the Company’s operations for the ensuing twelve months.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These 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 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 as at and for the year ended March 31, 2017.

(b) Principles of consolidation

These 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 financial statements include the accounts of the Company and its 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

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. All amounts in the 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 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 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 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.

2. BASIS OF PREPARATION *(continued)*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year include, 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 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.

2. BASIS OF PREPARATION (continued)

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.

(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. NEW AND FUTURE ACCOUNTING STANDARDS

New standards not yet adopted

During the nine month period ended December 31, 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.

(Expressed in Canadian dollars)

3. NEW AND FUTURE ACCOUNTING STANDARDS (continued)

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

4. ACQUISITION OF OREGAPET

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 a 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 10) 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 was considered a gain on bargain purchase and was recognized to profit and 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

		December 31, 2017		March 31, 2017
Trade receivables	$	108,067	$	62,098
Goods and services tax receivable		8,165		4,081
	$	116,232	$	66,179

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

During the nine month period ended December 31, 2017, revenues from the two largest customers amounted to 29% (December 31, 2016 – 44%) of total sales. As at December 31, 2017, these two customers amounted to 11% (March 31, 2017 – 15.53%) of total trade receivables.

6. INVENTORIES

		December 31, 2017		March 31, 2017
Finished goods	$	459,379	$	92,207
Supplies		365,051		300,701
	$	824,430	$	392,908

No provision for obsolescence has been recorded on the Company's existing inventory as at December 31, 2017 (March 31, 2017 – none).

7. 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)

8. CAPITAL ASSETS

Cost:	**Website**	**Office Furniture**	**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	-	20,164	24,266	76,235	120,665
Balance, December 31, 2017	$ 10,801	$ 20,164	$ 31,908	$ 79,929	$ 142,802

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	2,700	1,008	2,151	4,522	10,381
Balance, December 31, 2017	$ 9,956	$ 1,008	3,937	$ 5,261	$ 20,162
Carrying value					
As at March 31, 2017	$ 3,545	$ -	$ 5,856	$ 2,955	$ 12,356
As at December 31,2017	**$ 846**	**$ 19,156**	**$ 27,971**	**$ $ 74,668**	**$ 122,640**

On September 21, 2017, the Company entered into an option agreement to acquire a property located in Lumby, B.C. for total consideration of $3,300,000 to be paid on or before December 31, 2017. During the nine month period ended December 31, 2017, the Company paid a non-refundable deposit of $100,000 to the optionor, which was applied towards the total purchase price. The remaining balance ($3,200,000) was paid subsequent to the period ended December 31, 2017.

(Expressed in Canadian dollars)

9. INTANGIBLE ASSETS

Cost:		**Trademarks and related costs**		**Intellectual property**		**Total**
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
Additions		29,478		-		29,478
Balance – December 31, 2017	$	109,754	$	55,500	$	165,254
Accumulated amortization:						
Balance - March 31, 2016	$	-	$	-	$	-
Amortization for the year		5,591		5,550		11,141
Balance - March 31, 2017		5,591		5,550		11,141
Amortization for the period		8,829		8,325		17,154
Balance – December 31, 2017	$	14,420	$	13,875	$	28,295
Carrying value						
As at March 31, 2017	$	74,685	$	49,950	$	124,635
As at December 31, 2017	**$**	**95,334**	**$**	**41,625**	**$**	**136,959**

10. PROMISSORY NOTE

As at December 31, 2017, the Company had an obligation under a promissory note totaling $83,596 (March 31, 2017 - $109,547). The note bears interest at 12% per annum and is repayable over a three year term which commenced January 31, 2017.

11. RELATED PARTY PAYABLES AND TRANSACTIONS

During the nine month period ended December 31, 2017, the Company:

1. Paid or accrued a total of $62,500 (2016 - $45,000) to its Chief Executive Officer for management fees;
2. Paid or accrued a total of $22,500 (2016 - $ 15,000) to its Chief Executive Officer for rent;
3. Paid or accrued a total of $45,000 (2016 – 24,500) to a Director of the Company, for services provided;
4. Paid or accrued a total of $3,000 (2016 – nil) to a company controlled by a Director, for services provided.
5. Paid or accrued a total of $18,000 (2016 - $18,000) to its Chief Financial Officer for accounting fees; and
6. Paid or accrued a total of $5,625 (2016 - $5,625) in directors' fees.

As at December 31, 2017, the Company is indebted to its Chief Executive Officer (including a company controlled by its Chief Executive Officer) in the amount of $779 (March 31, 2017 - $14,271), its Chief Financial Officer in the amount of $nil (March 31, 2017 - $2,000), and $nil (March 31, 2017 - $7,500) for directors' fees. The amounts are unsecured, non-interest bearing and have 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.

On December 12, 2016, the Company granted a total of 2,799,995 stock options, 1,642,875 options of which were to directors and officers of the Company having a fair value of $184,443.

(Expressed in Canadian dollars)

12. 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 nine month period ended December 31, 2016:

1. The Company issued a total of 2,813,163 common shares pursuant to the exercise of share purchase warrants for total gross proceeds of $529,474.
2. 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 $11,975 in association with the financing.
3. 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.
4. 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 Enterprises Inc. ("First Pacific").
5. 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
6. On October 17, 2016 the Company issued a total of 500,000 common shares pursuant to the exercise of stock options for total gross proceeds of $50,000
7. On November 11, 2016 the Company closed a private placement of 1,984,048 common shares at a price of $0.21 per share for gross proceeds of $416,650. The common shares are subject to a hold period of four months and one day from the date of their issuance.
8. On November 11, 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. The Company paid a cash finder's fee of $1,744 in association with the financing.
9. On December 30, 2016 the company issued a total of 476,190 common shares to satisfy $100,000 of the total purchase price of OregaPet at a value of $0.21 per share. The common shares are subject to a hold period of four months and one day from the date of their issuance.

12. SHARE CAPITAL (continued)

Convertible debt

On October 30, 2015, the Company entered into a convertible debt agreement with 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 being exercisable into an additional common share of the Company at a price of $0.15 for a period of two years. During the period ended December 31, 2016, the Company recognized $nil 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 601,843 common shares and 300,921 share purchase warrants.

The Company had the following share capital transactions during the nine month period ended December 31, 2017:

1. 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.
2. 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.
3. The Company issued 2,488,759 common shares pursuant to the exercise of stock options for gross proceeds of $644,579.
4. The Company issued 1,628,015 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $469,777.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, March 31, 2016	10,215,304	$	0.19
Warrants expired	(5,886,664)		0.21
Warrants exercised	(2,813,163)		0.19
Warrants issued	300,921		0.15
Balance, March 31, 2017	1,816,398		0.15
Warrants expired	(150,000)		0.15
Warrants exercised	(1,628,015)		0.29
Warrants issued	7,741,645		0.45
Balance, December 31, 2017	**7,780,028**	**$**	**0.42**

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

	Number of Warrants	Exercise Price ($)	Expiry Date
Warrants	489,377	0.15	January 18, 2018
Warrants	300,921	0.15	May 12, 2018
Warrants	2,564,914	0.45	May 29, 2019
Warrants	4,424,816	0.45	June 12, 2019
	7,780,028		

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.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
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
Stock options exercised	(2,488,759)		0.26
Stock options granted	4,200,000		0.40
Balance, December 31, 2017	**4,861,236**	**$**	**0.32**

As at December 31, 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	1,285,715	0.19	December 12, 2018
Stock options	3,000,000	0.40	May 29, 2019
Stock option	300,000	0.45	July 18, 2019
	4,861,236		

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.

On July 18, 2017, the Company granted 300,000 stock options to an employee that vested immediately. The stock options were valued at $76,340 ($0.254 per option) using the Black-Scholes option pricing model with the following assumptions: term of 2 years, historical volatility of 94.76%, risk-free rate of 1.19% and expected dividends of $nil.

13. 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.

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 December 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 December 31, 2017, the Company’s exposure to credit risk consists of the carrying value of cash and accounts receivable. The Company limits its credit exposure on cash by holding its deposits mainly with Canadian chartered banks. Accounts receivable consists of trade accounts receivable and other receivables. The Company mitigates the risk of default of accounts receivable by assessing the credit worthiness of customers prior to sale and shipment of inventory.

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 December 31, 2017, the Company has cash of $900,517 to settle current liabilities of $305,999. Subsequent to December 31,2017, the Company completed a public offering which raised $14,051,655 in gross proceeds (Note 17), significantly mitigating the Company’s liquidity risk.

Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company is exposed to currency risk arising from the translation of its European subsidiary’s operations and to currency transaction risk as some of the Company’s financial instruments are denominated in U.S. dollars. The results of the Company’s operations are subject to currency translation and transaction risks.

The Company’s main risk is associated with fluctuations in Canadian dollars and Euros. Assets and liabilities are translated based on the Company’s foreign currency translation policy.

13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (continued)

The Company has determined that, with other variables unchanged, the effect of a 10% increase in the Canadian dollar as at December 31, 2017:

- against the Euro on its net European operations, and
- against the U.S. dollar on financial assets and liabilities, including cash, accounts receivable, accounts payables and accrued liabilities denominated in U.S. dollars

would result in a decrease of approximately $23,300 to the net loss and comprehensive loss for the nine months ended December 31, 2017 (December 31, 2016 - $6,912). The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

At December 31, 2017, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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. As at December 31, 2017, the Company did 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 plans to use funds raised from the public offering which completed January 24, 2018 (refer Note 17) to meet its financial obligations, and fund its operations and expansion activities. As at December 30, 2017, the Company is not subject to externally imposed capital requirements.

14. COMMITMENTS

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

1. On June 1, 2017 the Company entered into a verbal agreement with its Chief Executive Officer whereby the Company will pay or accrue $7,500 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. At December 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 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. On December 1, 2017 the fee was revised to a maximum of $6,000 per month.

14. COMMITMENTS (continued)

4. 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. At December 31, 2017 the Company is negotiating the terms of a new agreement with Pet Horizons and is paying an interim monthly fee of approximately $9,000 (EU6,000).

5. Effective December 1, 2017 the Company entered into an agreement with Edison Investment Research Inc. to provide the Company with investor relations services for US$8,000 per month. The agreement has a minimum initial one-year term ending December 1, 2018, cancellable with 90-days notice by either party and payment of US$24,000 to cover the notice period.

6. Effective December 15, 2017 the Company entered into an agreement with Paradigm Medical Inc., a company controlled by a Director, to provide strategic medical direction to the Company's cannabis operations for a fee of $6,000 per month.

Subsequent to December 31, 2017, the Company entered into the following contractual monthly commitments:

1. Effective January 2, 2018 the Company entered into an agreement with a company to provide public relations and/or public affairs services to the Company in connection with its application to become a licensed producer of medicinal marijuana under the ACMPR at a cost of $5,000 per month. The agreement has a four-month term ending April 30, 2018 and is cancellable with 30-days notice by either party.

2. Effective February 15, 2018 the Company entered into an agreement with a branding and market positioning expert to provide the Company with consulting services in connection with the Company's brand and marketing expenditures at a minimum cost of $15,000 per month. The agreement has an initial one-year term ending February 15, 2019 with two one-year renewable terms, cancellable with 60-days notice by either party and payment of the prorated portion of the fees due.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the nine month period ended December 31, 2016 consisted of the following:

1. The Company issued 2,461,785 shares to settle debt totaling $147,000 of accounts payable and accrued liabilities and $135,841 of due to related parties.
2. The Company issued 601,843 shares on conversion of convertible debt totalling $63,193.
3. As at December 31, 2016, a total of $25,223 in inventory costs were included in accounts payable and accrued liabilities.
4. As at December 31, 2016 a total of $9,347 in intangible asset costs were included in accounts payable and accrued liabilities.

The Company had no non-cash investing or financing activities during the nine month period ended December 31, 2017.

16. SEGMENTED INFORMATION

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

Geographic segment details as at December 31, 2017 are as follows:

	North America	Europe	Total
Cash	$ 842,593	$ 57,924	$ 900,517
Capital assets	217,976	-	217,976
Intangible assets	136,959	4,664	136,959
Total assets	$ 1,197,528	$ 62,588	$ 1,260,116

Geographic segment details as at March 31, 2017 are 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

17. SUBSEQUENT EVENTS

Subsequent to the nine month period ended December 31, 2017:

a) The Company issued 753,821 common shares pursuant to the exercise of stock options for gross proceeds of $159,566.

b) The Company issued 2,078,985 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $776,696.

c) The Company completed a Regulation A public offering (the "Offering") raising $10,000,000 in gross proceeds. The Company closed its Offering of common shares, qualified by the U.S. Securities and Exchange Commission, with non-Canadian investors on January 22, 2018, consisting of 14,285,715 common shares at a purchase price of $0.70 per share. Boustead Securities LLC ("Boustead"), a FINRA registered broker dealer, was the lead underwriter outside Canada. The Company paid Boustead $800,000 representing 8% of the gross proceeds of the aggregate Offering amount and issued 857,103 agent's warrants representing 6% of the aggregate number of the securities sold in the Offering. Each agent warrant is exercisable into one common share of the Company at an exercise price of $1.05, expiring November 21, 2020. The Company also paid Boustead an advisory fee of US$25,000 and Offering expenses.

   On the same terms as the Offering, the Company closed a concurrent Canadian private placement on January 24, 2018 of 5,788,078 common shares raising an aggregate total of $4,051,655. The Canadian offering was non-brokered and no commissions or fees were paid in connection with the shares issued. An additional 76,558 common shares, valued at $53,591, were issued in connection with the Canadian offering to compensate certain Canadian investors for foreign currency transaction costs incurred as a consequence of the Company collecting a portion of subscription receipts in U.S. dollar funds for a Canadian dollar denominated share offering.

17. SUBSEQUENT EVENTS (continued)

d) Subsequent to December 31, 2017 the Company granted a total of 2,000,000 stock options at an exercise price of $0.94 per option to directors, officers, consultants and a vendor, of which 1,200,000 options vested immediately. The balance of 800,000 options vest evenly over two years, with 25% of the options vesting each six months by February 6, 2020.

e) Subsequent to December 31, 2017, the Company entered into agreements with two members of its Medical Advisory Board to provide medical direction to TL Medicine for consideration of $3,000 per month. The contracts do not have a fixed expiry date.