True Leaf Medicine International Ltd.
Consolidated Financial Statements
March 31, 2018
(Expressed in Canadian dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
True Leaf Medicine International Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of True Leaf Medicine International Ltd. (the "Entity"), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years ended March 31, 2018 and 2017 and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the consolidated financial statements).

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2018 and 2017 and its financial performance and its cash flows for the years ended March 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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 as issued by the International Accounting Standards Board, 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 and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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. The Entity is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies and principles 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 reasonable basis for our audit opinion.

Other Matters

We have served as the Entity's auditor since 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Professional
Accountants

June 26, 2018

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		March 31, 2018		March 31, 2017
Assets				
Current assets				
Cash and cash equivalents	$	10,812,815	$	159,575
Receivables (Notes 6, 13)		385,671		66,179
Inventories (Note 7)		570,594		392,908
Prepaid expenses and deposits (Note 9)		149,199		15,920
Total current assets		11,918,279		634,582
Non-current assets				
Marketable securities (Note 8)		-		50
Land (Note 9)		3,380,387		-
Construction in progress (Note 9)		726,955		-
Capital assets (Note 10)		132,420		8,811
Intangible assets (Note 11)		142,690		128,180
Total assets	**$**	**16,300,731**	**$**	**771,623**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$	927,987	$	211,452
Construction holdback payable (Note 9)		98,661		-
Due to related parties (Note 13)		23,314		23,771
Promissory note payable (Note 12)		-		46,428
Total current liabilities		1,049,962		281,651
Non-current liabilities				
Promissory note payable (Note 12)		-		63,169
Total liabilities		**1,049,962**		**344,820**
Shareholders' equity				
Share capital (Note 14)		21,693,918		5,088,454
Reserves		2,518,723		339,802
Deficit		(8,961,872)		(5,001,453)
Total shareholders' equity		**15,250,769**		**426,803**
Total liabilities and shareholders' equity	**$**	**16,300,731**	**$**	**771,623**

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

Approved on behalf of the Board of Directors on June 26, 2018

"Darcy Bomford" Director *"Michael Harcourt"* Director

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended March 31, 2018	Year Ended March 31, 2017
Sales	$ 1,400,511	$ 368,536
Cost of sales	(779,182)	(248,909)
Gross profit	621,329	119,627
Operating expenditures		
Accounting and legal (Note 13)	411,352	288,039
Accretion (Note 12)	18,079	3,192
Administrative and office (Note 15)	1,564,926	763,498
Amortization - intangible assets (Note 11)	22,614	14,742
Depreciation - capital assets (Note 10)	14,865	1,990
Directors' fees (Note 13)	7,500	7,500
Inventory write-down (Note 7)	217,436	36,000
Research and development	57,808	49,136
Selling and marketing	658,834	427,820
Share-based compensation (Notes 13 and 14)	1,836,441	265,917
Total operating expenditures	(4,809,855)	(1,857,834)
Loss from operations	(4,188,526)	(1,738,207)
Bargain purchase on acquisition of OregaPet assets (Note 5)	-	5,338
Foreign exchange gain (loss)	202,425	(3,223)
Loss on debt settlement (Note 14)	-	(6,958)
Rental income	18,215	-
Write-down marketable securities (Note 8)	(50)	-
Loss and comprehensive loss for the year	**$ (3,967,936)**	**$ (1,743,050)**
Loss per common share – basic and diluted	$ (0.05)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	78,314,081	54,039,396

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

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

	Number of Shares	Share Capital	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	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 expiry 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**
Private placements, net of share issuance costs	**7,741,645**	**2,289,573**	**-**	**-**	**-**	**2,289,573**
Regulation A public offering, net of share issuance costs	**14,285,715**	**7,764,545**	**-**	**789,767**	**-**	**8,554,312**
Private placement, Canadian side car, net of share issuance costs	**5,864,736**	**4,021,459**	**-**	**-**	**-**	**4,021,459**
Shares issued on exercise of warrants	**3,707,000**	**1,246,472**	**-**	**-**	**-**	**1,246,472**
Shares issued on exercise of stock options	**3,342,580**	**1,283,415**	**-**	**(439,770)**		**843,645**
Fair value adjustment on expiry of stock options	**-**	**-**	**-**	**(7,517)**	**7,517**	**-**
Share-based compensation	**-**	**-**	**-**	**1,836,441**	**-**	**1,836,441**
Loss for the year	**-**	**-**	**-**	**-**	**(3,967,936)**	**(3,967,936)**
Balance, March 31, 2018	**95,369,059**	**$ 21,693,918**	**$ -**	**$ 2,518,723**	**$ (8,961,872)**	**$ 15,250,769**

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, 2018	**Year Ended March 31, 2017**
Operating activities		
Loss for the year	$ (3,967,936)	$ (1,743,050)
Items not affecting cash:		
Depreciation – capital assets	14,865	14,742
Depreciation – intangible assets	22,614	1,990
Bargain purchase on acquisition of OregaPet assets	-	5,338
Accretion	18,079	3,192
Share-based compensation	1,836,441	265,917
Loss on debt settlement	-	6,958
Inventory write-down	217,436	36,000
Write-down marketable securities	50	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(133,279)	(8,378)
Accounts payable and accrued liabilities	509,534	(61,023)
Due to related parties	(2,717)	(10,096)
Inventories	(351,318)	(141,085)
Receivables	(319,492)	(53,254)
Net cash used in operating activities	(2,155,723)	(1,682,749)
Investing activities		
Purchase of capital assets	(135,656)	(9,231)
Intangible asset costs	(47,185)	(33,949)
Development of cannabis cultivation facility	(3,835,981)	-
Acquisition of OregaPet assets	-	(100,000)
Net cash used in investing activities	(4,018,822)	(143,180)
Financing activities		
Proceeds from issuance of share capital	18,464,265	1,998,107
Repayment of promissory note	(127,676)	-
		-
Share issue costs	(1,508,804)	(16,340)
Net cash provided by financing activities	16,827,785	1,981,767
Change in cash and cash equivalents for the year	10,653,240	155,838
Cash and cash equivalents, beginning of the year	159,575	3,737
Cash and cash equivalents, end of the year	$ $10,812,815	$ 159,575

Supplemental disclosure with respect to cash flows (Note 18)

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 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 under the ticker symbol "TRLFF".

The Company, through TL Medicine, is seeking to become a licensed producer of medicinal cannabis for the Canadian market under Canada's *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") program administered by Health Canada. As at March 31, 2018, 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 land owned by the Company in Lumby, British Columbia (Note 9). There is some 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.

Going Concern

These consolidated financial statements have been 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.

On January 24, 2018 the Company closed a financing which raised an aggregate total of $14,051,655 in two offerings (Note 14), the proceeds of which are being used to execute on the Company's business plan, including construction of its cannabis cultivation facility (Note 9). For the year ended March 31, 2018, the Company incurred a loss of $3,967,936 and had an accumulated deficit of $8,961,872. The Company earned revenues of $1,400,511 (2017 - $368,536) from TL Pet and TL Pet Europe; although, these two operations have not yet achieved profitability.

Management is of the opinion the continued operations of the Company are dependent on its ability to generate future cash flows from operations and obtain additional funding through external financing to deliver on its business plan. There is a risk that financing will not be available on a timely basis or on terms acceptable to the Company.

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 operations. Management has assessed that it has sufficient working capital for the Company to continue operations for the next fiscal year.

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 June 26, 2018.

(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

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.

(d) 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 cash equivalents 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.

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...)

(a) 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, construction holdback payable and amounts due to related parties are classified as other financial liabilities.

(b) 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.

(c) 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 costs to deliver inventory to our distribution locations. Cost is determined using the weighted average cost basis. Supplies are valued at the lower of average cost or net realizable value. If carrying value exceeds the 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.

(d) Construction in progress

Costs incurred toward the construction of the Company's cannabis cultivation facility have been deferred and capitalized until the facility is considered substantially complete and ready for use.

(e) 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 and furniture – 5 years
Leasehold improvements – 5 years

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

(e) Capital assets (cont'd…)

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.

(f) Intangible assets

The Company owns intangible assets consisting of various direct costs associated with the acquisition of trademarks and intellectual property, as well as website costs. 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.

Amortization is recognized using the straight-line method at the following rates:

Trademarks and related costs – 5-10 years
Website costs – 3 years

(g) 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.

(h) 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.

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

(i) 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.

(j) 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.

(k) Revenue recognition and related costs

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. For transactions initiated online and delivered directly to the customer, the Company recognizes revenue upon shipment of the order as the time between shipment and receipt is typically less than 5 days.

Revenue is reported net of sales returns and discounts granted to customers. Amounts related to shipping and handling that are billed to customers are recorded in net revenue.

The Company does not sell any of its current products on a consignment basis.

(l) Cost of sales

Cost of sales includes inventory, product-related costs and costs to ship products to customers.

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

(m) Selling and marketing

Selling and marketing expenses include costs attributable to the sale of pet products and include salaries, fees and commissions for the related staff. Marketing expenses also include costs associated with the True Leaf corporate brand.

(n) 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.

(o) 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. Operating segment 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 performance, for which discrete financial information is available.

(p) Comparative figures

Certain comparative figures have been restated to conform to the current periods' presentation.

(q) New standards not yet adopted

During the year ended March 31, 2018, 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.

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

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

- New standard IFRS 9 "Financial Instruments" - This new standard will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is intended to reduce the complexity in the classification and measurement of financial instruments. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company has reviewed the implications of the adoption of IFRS 9 and the final standard will not have a material impact on the Company's consolidated financial statements other than increased levels of note disclosure.

- 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. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has reviewed the implications of the adoption of IFRS 15 and concluded the final standard will not have a material impact on the Company's consolidated financial statements.

- IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. The new standard eliminates the classification of leases as either operating or finance leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Management is currently reviewing the impact that adoption of the new standard will have on the Company's consolidated financial statements.

4. USE OF ESTIMATES

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.

4. USE OF ESTIMATES (cont'd…)

(a) Estimates

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:

(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.

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.

4. USE OF ESTIMATES (cont'd…)

(b) Critical judgements

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 5) 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.

5. 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 TL 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 12) with a face value of $139,283. The Note was repayable in equal monthly instalments over a term of three years commencing January 31, 2017 and did not bear interest. However, in the case of a breach of the repayment terms for a period of more than 30 days, the entire balance of the Note was payable immediately with interest payable at a rate of 12% on the unpaid balance from the date of such non-payment.

(Expressed in Canadian dollars)

5. ACQUISITION OF OREGAPET ASSETS (cont'd…)

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 was 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

6. RECEIVABLES

		March 31, 2018		March 31, 2017
Trade receivables (a)	$	202,683	$	62,098
Miscellaneous receivable (b)		119,770		-
Goods and services taxes receivable		63,218		4,081
	$	385,671	$	66,179

(a) Trade receivables

Trade receivables are non-interest bearing and are due within 30 days. As at March 31, 2018, the Company did not have any trade receivables that were past due.

For the year ended March 31, 2018, 39% of revenue was earned from three customers (March 31, 2017 - two customers 27%). As at March 31, 2018, these three customers amounted to 29% (March 31, 2017 - two customers amounted to 16%) of total trade receivables.

(b) Miscellaneous receivables

At March 31, 2018 a director was indebted to the Company for an amount of $119,770. The Company has remitted withholding tax on behalf of the director in connection with his exercise of stock options in January 2018. The balance is non-interest bearing and payable in full by March 15, 2019. A share purchase agreement has been put in place as security against the amount due.

(Expressed in Canadian dollars)

7. INVENTORIES

		March 31, 2018		March 31, 2017
Finished goods	$	432,729	$	92,207
Supplies		137,865		300,701
	$	570,594	$	392,908

During the year ended March 31, 2018, the Company wrote off $217,436 (2017 - $36,000) associated with supplies and packaging materials that will not be used for current product lines, as well as some finished goods no longer saleable.

8. MARKETABLE SECURITIES

In connection with a Plan of Arrangement entered into in June 2014, the Company received 5,000 common shares of Noor Energy Corporation ("Noor") valued at $0.01 per share. During the year ended March 31, 2018 the shares in Noor were written down to $Nil.

9. CONSTRUCTION IN PROGRESS

During the year ended March 31, 2018 the Company acquired a property of 40 acres located in Lumby B.C. for total consideration of $3,380,387 to build its cannabis cultivation facility. As at March 31, 2018, construction costs incurred of $726,955 are capitalized and depreciation will commence when the facility is put into use.

As at March 31, 2018, prepaid expenses and deposits includes a deposit of $25,827, refundable upon completion of the construction project, subject to approval by the Village of Lumby that the Company has complied with conditions set out in its landscaping permit. As at March 31, 2018, the Company has accrued a liability of $98,661 as holdbacks against construction in progress.

(Expressed in Canadian dollars)

10. CAPITAL ASSETS

Cost:		**Office furniture**		**Office equipment**		**Leasehold improvements**		**Total**
Balance, March 31, 2016	$	-	$	2,105	$	-	$	2,105
Additions		-		5,537		3,694		9,231
Balance, March 31, 2017		-		7,642		3,694		11,336
Additions		20,165		42,074		76,235		138,474
Balance, March 31, 2018	$	20,165	$	49,716	$	79,929	$	149,810
Accumulated depreciation:								
Balance, March 31, 2016	$	-	$	535	$	-	$	535
Depreciation for the year		-		1,251		739		1,990
Balance, March 31, 2017		-		1,786		739		2,525
Depreciation for the year		2,150		4,353		8,362		14,865
Balance, March 31, 2018	$	2,150		6,139	$	9,101	$	17,390
Carrying value		-						
As at March 31, 2017	$	-	$	5,856	$	2,955	$	8,811
As at March 31,2018	**$**	**18,015**	**$**	**43,577**	**$**	**70,828**	**$**	**132,420**

11. INTANGIBLE ASSETS

Cost:		**Website**		**Trademarks and related costs**		**Intellectual property**		**Total**
Balance - March 31, 2016	$	10,801	$	35,008	$	-	$	45,809
Additions		-		45,268		55,500		100,768
Balance - March 31, 2017		10,801		80,276		55,500		146,577
Additions		-		37,124		-		37,124
Balance – March 31, 2018	$	10,801	$	117,400	$	55,500	$	183,701
Accumulated amortization:								
Balance - March 31, 2016	$	3,655	$	-	$	-	$	3,655
Amortization for the year		3,601		5,591		5,550		14,742
Balance - March 31, 2017		7,256		5,591		5,550		18,397
Amortization for the year		2,700		11,589		8,325		22,614
Balance – March 31, 2018	$	9,956	$	17,180	$	13,875	$	41,011
Carrying value								
As at March 31, 2017	$	3,545	$	74,685	$	49,950	$	128,180
As at March 31, 2018	**$**	**845**	**$**	**100,220**	**$**	**41,625**	**$**	**142,690**

12. PROMISSORY NOTE

In March 2018, the Company repaid all outstanding obligations under a Promissory Note entered into on January 31, 2017 (Note 5), initially recorded at its present value of $118,012. The Company recorded $18,079 (2017 - $3,192) in accretion expense prior to repayment of the Note during the year ended March 31, 2018.

13. RELATED PARTY BALANCES AND TRANSACTIONS

a) Goods and services

The Company had the following transactions with related parties during the year ended March 31, 2018:

1. Paid or accrued a total of $30,000 (2017 - $30,000) to its Chief Executive Officer for rent. Subsequent to March 31, 2018, negotiations were in progress to increase the rent to a market-based rate;
2. Paid or accrued $92,266 (2017 - $14,271) to a company controlled by its Chief Executive Officer for costs associated with supplies inventory;
3. Paid or accrued $21,000 (2017 – $nil) to a company controlled by a Director for services provided; and
4. Paid or accrued amounts to Directors, including the CEO, totalling $747,496 (2017 - $227,424) recorded as director fees, salaries and share-based compensation.

b) Compensation of key management personnel

The Company considers its key management personnel to be its Chief Executive Officer and its Chief Financial Officer. The comprehensive loss for the year ended March 31, 2018 includes $286,409 (2017 - $146,462) paid to key management personnel as salaries, management fees, consulting fees and amounts recorded as share-based compensation.

c) Amount due from a director of $119,770 included in receivables at March 31, 2018 (2017 - $nil) (Note 6).

d) Amounts payable to related parties as at March 31, 2018 of $23,314 (2017 - $23,771) are unsecured, non-interest bearing with no scheduled terms of repayment.

e) Share-based compensation

On February 6, 2018, the Company granted a total of 1,900,000 stock options, 800,000 of which were to directors and officers of the Company, having an aggregate fair value of $549,707, of which $363,036 is included in operating expenditures for the year ended March 31, 2018.

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 of which were to directors and officers of the Company having a fair value of $156,025.

14. 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, 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. ("First Pacific").

5. 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.

6. 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.

7. On December 30, 2016 the Company issued 476,190 common shares to satisfy $100,000 of the OregaPet purchase price at a deemed value of $0.21 per share (Note 5).

8. The Company issued 3,090,000 common shares pursuant to the exercise of stock options for gross proceeds of $314,000.

14. SHARE CAPITAL (cont'd…)

The Company had the following share capital transactions during the year ended March 31, 2018:

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 $929,948. 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 3,342,580 common shares pursuant to the exercise of stock options for gross proceeds of $843,645.

4. The Company issued 3,707,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $1,246,472.

5. In January 2018 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 a commission of $800,000 representing 8% of the gross proceeds of the aggregate Offering amount and issued 857,143 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 warrants were valued at $789,767 ($0.92 per warrant) using the Black-Scholes option pricing model with the following assumptions: term of 2.8 years, historical volatility of 96.66%, risk-free rate of 1.76% and expected dividends of $nil.

   The Company incurred $645,689 in share issue costs associated with this financing, including an advisory fee paid to Boustead.

6. 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 76,658 common shares, valued at $53,661, 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. The Company incurred $83,856 in share issue costs associated with this financing.

(Expressed in Canadian dollars)

14. SHARE CAPITAL (cont'd…)

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. 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. 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, 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	(410,806)		0.15
Warrants exercised	(3,707,000)		0.34
Warrants issued	8,598,788		0.51
Balance, March 31, 2018	**6,297,380**	**$**	**0.53**

As at March 31, 2018 the following share purchase warrants are outstanding and exercisable:

Number of Warrants	Exercise Price ($)	Expiry Date
2,097,954	0.45	May 29, 2019
3,342,283	0.45	June 12, 2019
857,143	1.05	November 21, 2020
6,297,380		

(Expressed in Canadian dollars)

14. 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 12-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, 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	(3,342,580)		0.25
Stock options expired	(100,270)		0.12
Stock options granted	6,200,000		0.57
Balance, March 31, 2018	**5,907,145**	**$**	**0.55**

As at March 31, 2018 the following stock options are outstanding and exercisable:

Number of Options			
Outstanding	Exercisable	Exercise Price ($)	Expiry Date
857,145	857,145	0.19	December 12, 2018
2,750,000	2,750,000	0.40	May 29, 2019
300,000	300,000	0.45	July 18, 2019
100,000	100,000	0.94	February 6, 2019
1,900,000	1,100,000	0.94	February 6, 2023
5,907,145	**5,107,145**		

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.

(Expressed in Canadian dollars)

14. SHARE CAPITAL (cont'd…)

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.

On February 6, 2018 the Company granted 100,000 stock options at an exercise price of $0.94 per option to a vendor which vested immediately. The stock options were valued at $34,870 ($0.349 per option) using the Black-Scholes option pricing model with the following assumptions: term of 1 year, historical volatility of 94.92%, risk-free rate of 1.90% and expected dividends of $nil.

On February 6, 2018 the Company granted 1,900,000 stock options at an exercise price of $0.94 per option to directors, officers, and consultants, of which 1,100,000 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. The stock options were valued at $1,305,554 in total ($0.687 per option), of which $932,211 is included in operating expenditures for the year ended March 31, 2018. The options were valued using the Black-Scholes option pricing model with the following assumptions: term of 5 years, historical volatility of 95.80%, risk-free rate of 2.17% and expected dividends of $nil.

15. ADMINISTRATIVE AND OFFICE EXPENSE

	For the year ended			
		March 31, 2018		March 31, 2017
Consultants	$	362,851	$	268,691
Filing fees		91,256		10,655
Insurance		98,534		16,456
Office		189,637		72,901
Rent		51,600		54,400
Transfer agent		30,467		8,120
Travel and meals		207,070		95,303
Wages and salaries		533,511		237,072
	$	**1,564,926**	**$**	**763,498**

16. 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, construction holdback payable and due to related parties approximates their fair value because of the short-term nature of these instruments.

The fair values of cash and cash equivalents 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 March 31, 2018:

<u>Credit risk</u>

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, 2018, the Company's exposure to credit risk consists of the carrying value of cash and cash equivalents, and receivables. The Company limits its credit exposure on cash by holding its deposits with established financial institutions. Accounts receivable consists of trade accounts receivable and miscellaneous 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.

<u>Liquidity risk</u>

Liquidity risk arises from our general and capital financing needs with respect to future growth and the Company's construction of its cannabis cultivation facility (Note 9). Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at March 31, 2018, the Company has cash and cash equivalents of $10,812,815 to settle current liabilities of $1,049,962. The Company has planning, budgeting and forecasting processes to help determine its funding requirements to meet various contractual and other obligations and to manage liquidity risk.

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

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 and U.S. dollars and Euros. Assets and liabilities are translated based on the Company's foreign currency translation policy.

The Company has determined that, with other variables unchanged, the effect of a 10% increase in the Canadian dollar as at March 31, 2018:

- 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 an increase of approximately $705,000 to the net loss and comprehensive loss for the year ended March 31, 2018 (March 31, 2017 – reduction to net loss of $3,000). The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

At March 31, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates as the Company's operations provide a natural hedge. Certain operational costs are denominated in U.S. dollars and funded directly from the Company's U.S. funds. The Company's European operation provides further natural hedging as U.S. dollars are used to periodically fund operations. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Management monitors fluctuations in foreign currency rates to maximize conversion of U.S. dollars to Canadian dollars.

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, 2018, 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, 2018.

17. COMMITMENTS

The Company has the following commitments as of March 31, 2018:

1. On May 20, 2014, the Company entered into a contractual agreement with its Chief Financial Officer whereby the Company will pay $2,000 per month for accounting and financial reporting services rendered for an initial term of two years. At March 31, 2018, the Company is negotiating the terms of a new agreement with its Chief Financial Officer, and continues to pay $2,000 per month in line with the original agreement.

2. 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 March 31, 2018 the Company is negotiating the terms of a new agreement with Pet Horizons and is paying an interim monthly fee of approximately $9,000 (EUR6,000).

3. 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.

4. 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 March 31, 2018, the fee was increased to $8,000 per month.

5. 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 60days-notice by either party and payment of the prorated portion of the fees due.

(Expressed in Canadian dollars)

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the years ended March 31, 2018 and 2017 consisted of the following:

	2018	2017
Inventory costs included in accounts payable and accrued liabilities.	$48,554	$7,010
Inventory costs included in due to related parties.	16,531	14,271
Intangible asset costs included in accounts payable and accrued liabilities.	1,258	11,319
Capital assets included in accounts payable and accrued liabilities	2,818	-
Construction costs included in accounts payable and accrued liabilities	172,700	-
Construction costs included in construction holdback payable	98,661	-
Fair value relating to 100,270 (2017- 410,000) stock options expired recorded as a reduction from reserves with an offset to deficit	7,517	24,939
Fair value relating to nil (2017 - 2,813,163) share purchase warrants exercised recorded as an increase to share capital and a reduction from reserves.	-	25,200
Fair value relating to 3,292,580 (2017 - 3,090,000) stock options exercised was recorded as an increase to share capital and a reduction from reserves.	439,770	188,771
Fair value relating to 857,143 (2017 - nil) share purchase warrants issued in connection with the Regulation A public offering recorded as a reduction to share capital and an increase to reserves.	789,767	-
Fair value relating to 76,658 (2017 – nil) shares issued as compensation for foreign exchange fluctuations in connection with the Canadian side car private placement.	53,661	-

During the year ended March 31, 2017 there were the following additional significant non-cash investing and financing activities:

1. The Company issued 2,461,785 common shares to settle debt totaling $289,900. 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 14) of $63,194 with a related company.

(Expressed in Canadian dollars)

19. INCOME TAXES

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

	2018	2017
Loss for the year	$ (3,967,936)	$ (1,743,050)
Expected income tax recovery	$ (1,042,000)	$ (453,000)
Change in statutory tax rates and other	(8,000)	21,000
Permanent differences	478,000	71,000
Share issue costs	(430,000)	(3,000)
Change in unrecognized deductible temporary differences	1,002,000	364,000
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:

	2018	2017
Deferred tax assets:		
Share issue costs	$ 349,000	$ 8,000
Capital assets	5,000	2,000
Intangible assets	5,000	1,000
Non-capital losses available for future periods	1,447,000	792,000
	1,806,000	803,000
Unrecognized deferred tax assets	(1,806,000)	(803,000)
Net deferred tax assets	$ -	$ -

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:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary differences:				
Share issue costs	$ 1,293,000	2039 to 2042	$ 31,000	2038 to 2041
Capital assets	$ 17,500	No expiry date	$ 10,000	No expiry date
Intangible assets	$ 17,500	No expiry date	$ 4,000	No expiry date
Non-capital losses available for future periods				
Canadian	$ 5,177,000	2034 to 2038	$ 2,999,000	2032 to 2037
Luxembourg	329,000	2034 to 2035	79,000	2034
	$ 5,506,000		$ 3,078,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian dollars)

20. SEGMENTED INFORMATION

Operating segmented information

As at March 31, 2018, the Company had three reportable segments, being the sale of hemp-based nutrition for pets (Pet), the planned sale of medical marijuana under Canada's ACMPR program (Medicine) and Corporate. The Corporate segment is responsible for treasury management, regulatory reporting, financial and legal administration and general corporate activities conducted in Canada, Europe and U.S. The Company has identified these reporting segments based on the internal reports reviewed and used by the Chief Executive Officer, its chief decision maker, in allocating resources and assessing performance. Operations whose revenue, earnings, losses or assets exceed 10% of the total consolidated revenue, earnings, losses or assets are reportable segments.

Operating segmented information is presented as follows:

As at March 31, 2018	Pet	Medicine	Corporate	Total
Current assets	$1,054,069	$211,549	$10,652,661	$11,918,279
Non-current assets	229,085	4,153,367	-	4,382,452
Total assets	1,283,154	4,364,916	10,652,661	16,300,731
Liabilities	(227,118)	(488,808)	(334,036)	(1,049,962)
Net assets	$1,056,036	$3,876,108	$10,318,625	$15,250,769

For the year ended March 31, 2018				
Revenues	$1,400,511	-	-	$1,400,511
Gross profit	621,329	-	-	621,329
Operating expenses	(1,504,877)	(206,664)	(3,098,313)	(4,809,855)
Loss from operations	$(883,548)	$(206,664)	$(3,098,313)	$(4,188,526)

As at and for the year ended 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 to date. Therefore, comparative information at 2017 is not presented.

(Expressed in Canadian dollars)

20. SEGMENTED INFORMATION (cont'd…)

Geographic segmented information

The Company operates in two main geographic locations, North America and Europe, selling hemp-based nutrition for pets in North America and Europe, which has accounted for all of the Company's revenues since its inception.

As at March 31, 2018		North America		Europe		Total
Current assets	$	11,753,046	$	165,233	$	11,918,279
Non-current assets		4,374,765		7,687		4,382,452
Liabilities		(987,060)		(62,902)		(1,049,962)
Total net assets	$	15,140,751	$	110,018	$	15,250,769

As at March 31, 2017		North America		Europe		Total
Current assets	$	600,078	$	34,504	$	634,582
Non-current assets		137,041		-		137,041
Liabilities		(325,733)		(19,087)		(344,820)
Total net assets	$	411,386	$	15,417	$	426,803