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

On June 26, 2018

MANAGEMENT DISCUSSION & ANALYSIS

This Management's Discussion & Analysis (this "MD&A") has been prepared by management and should be read in conjunction with the annual consolidated financial statements of the Company together with the related notes thereto for the year ended March 31, 2018. The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") and interpretations of the *International Financial Reporting Interpretations Committee* ("IFRIC"). All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the annual consolidated financial statements of the Company together with the related notes thereto for the year ended March 31, 2018 in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

OVERVIEW

CORPORATE BACKGROUND

True Leaf Medicine International Ltd. (the "Company" or "True Leaf") 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.

On February 9, 2015, the Company began trading on the Canadian Securities Exchange (the "CSE") under the symbol "MJ", and on July 20, 2017 the Company began trading on the OTC Market Group's OTCQB® Venture Market under the ticker symbol "TRLFF".

OUR BUSINESS

True Leaf is a plant-focused wellness brand for people and their pets. Founded in 2013, True Leaf has two main operating divisions: True Leaf Medicine Inc. and True Leaf Pet Inc. The Company's goal is to provide federally-approved medicinal cannabis products that will be sold across Canada and the United States.

TL Medicine was launched in July 2013 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. TL Medicine will be subject to a Health Canada inspection upon completion of the construction of its facility to allow for the cultivation, manufacturing, and distribution of cannabis products. As at March 31, 2018 the Company has completed the security clearance stage, but does not have a license to produce cannabis 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 medical cannabis cultivation facility at the parcel of land owned by the Company in Lumby, British Columbia. 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 in order to be successful at receiving a license to sell medicinal cannabis under the ACMPR.

OUR BUSINESS (continued)

Established in 2015, TL Pet markets hemp-seed based products for the pet industry. The company launched the True Hemp™ pet supplement line in Canada, the United States, and Europe, becoming one of the first hemp-seed based pet product lines to be marketed worldwide. The hemp-seed based formula meets US and Canadian guidelines allowing TL Pet to establish a distribution network that includes more than 1,800 stores globally, with retail partners like PetSmart Canada, PetsSuppliesPlus, PetsCorner UK and Amazon.

TL Pet's formulations were created with veterinarian support and include other plant-based holistic ingredients. The hemp-seed based products are federally legal in both the US and Canada and are part of a broader strategy to position the Company as a global, plant-focused quality of life brand for people and pets. The Company is currently working with a Vancouver branding firm to solidify this strategy across both company divisions and plans to bring more products to market later this year.

STRATEGIC OUTLOOK

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

1. Continue to build worldwide market share, secure new customers, and launch new products in the natural pet product markets for the Company's line of innovative supplements and natural remedy products for pets. Sales will be through traditional distribution channels, direct-to-store and direct-to-consumer online sales channels.

2. Successfully complete additional capital financings in order to fund the objectives of the Company's business plan.

3. Complete build-out of the Company's 25,000 square foot medicinal cannabis production facility located in Lumby, BC, in order to comply with Health Canada's requirements to become a licensed producer under the ACMPR.

4. Receive approval to sell medicinal cannabis under the ACMPR by mid-2019 in order to commence the marketing and sale of the Company's medicinal cannabis product line to patients across Canada.

5. Review potential joint ventures or strategic acquisition targets in the pet, health & wellness and medicinal cannabis space.

The Company's long-term business objectives are:

1. For TL Pet:
   a. Carve a niche in the global pet industry as a plant-focused wellness brand with a mission to improve quality of life for companion animals.

STRATEGIC OUTLOOK (continued)

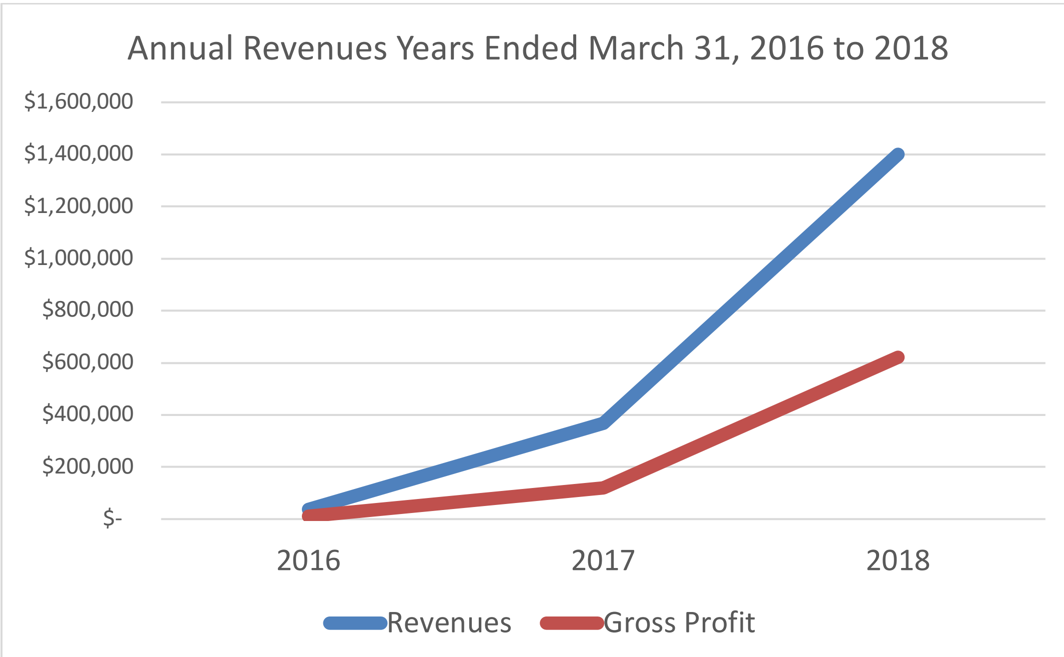
b. Increase sales, distribution and store count within the pet specialty, mass-pet, veterinary and food/mass/drug market segments.
c. Launch additional product lines and secure distribution partners in the European markets.
d. Seek out key distribution partners for alternative market regions like South America, Asia and other potential new markets.
e. Continue to perform R&D work on potential new 'CBD' formulations for the North American and European markets.
f. Seek out potential long term strategic partners to support the business.

2. For TL Medicine:
    a. Complete construction of the medicinal cannabis facility and be approved as a grower and seller of medicinal cannabis under the ACMPR in Canada.
    b. Build recognition for the company with the goal of becoming the premier brand of over-the-counter hemp-based supplements and medicinal cannabis in Canada.
    c. Increase its patient customer base through marketing campaigns aimed at the naturopathic and holistic doctor community in Canada.
    d. Implement in-house lab and build out lab services business model.
    e. Implement extraction, fractionation and remediation equipment.
    f. Build out formulations and packaging formats for the edibles market.
    g. Assess ongoing demand and implement plans for the build out and implementation of phase two, expanding production capacity to a total of 10,000 kilograms of dried flower per year.
    h. Assign capital towards research and development in order to build a base of intellectual property from proprietary formulations, cultivars, delivery mechanisms, etc.
    i. Assess and explore opportunities to develop a base of wholesale supply contracts for the recreational or medicinal markets.

(Expressed in Canadian dollars)

RESULTS OF OPERATIONS

SELECTED ANNUAL FINANCIAL INFORMATION
Years ended March 31, 2018, 2017 and 2016



	Year ended March 31		
Description	**2018**	**2017**	**2016**
Revenues	$ 1,400,511	$ 368,536	$ 37,330
Cost of sales	(779,182)	(248,909)	(26,117)
Gross profit ($)	$ 621,329	$ 119,627	$ 11,213
Gross profit (%)	44%	32%	30%
Total operating expenditures	(4,809,855)	(1,857,834)	(1,034,170)
Loss and comprehensive loss for the year	$ (3,967,936)	$ (1,743,050)	$ (1,039,320)
Basic and diluted loss per share	$ (0.05)	$ (0.03)	$ (0.03)

Revenue for the year ended March 31, 2018 increased 280% from $368,536 for the same period in the previous fiscal year. All of the Company's revenues from inception to date are from the sale of its hemp-based nutrition for pets, mostly in North America and Europe. Revenue growth was primarily fueled by True Leaf expanding the commercial reach of its True Leaf Pet division into new geographies both in-store and online. True Hemp™ dog chews, dental sticks and supplement oils are now sold in more than 1,800 stores worldwide, including PetSmart Canada and Pets Corner UK, and online on Amazon.

RESULTS OF OPERATIONS (continued)

Revenue is recorded net of customer discounts, promotional allowances and includes freight collected in connection with online sales. Cost of sales may include different costs compared to other manufacturing and distribution companies. Our cost of sales includes inventory, product-related costs and costs to ship products to customers. The growth in fiscal 2018 revenue created efficiencies, in particular in our shipping costs, contributing to a 38% improvement in gross profit to 44% for the year ended March 31, 2018 from 32% for fiscal 2017.

Operating expenditures for the year ended March 31, 2018 increased $2,952,021 compared to the same period in the previous fiscal year. The increase in expenditures is consistent with the Company's business plan of building worldwide market share and revenue for TL Pet products, development of the TL Medicine business, and costs incurred in connection with the successful raise of $14 million through a public offering.

Selling and marketing expenses include salaries, commissions, promotional activities and other costs in connection with the sale of pet products as well as to raise awareness of the True Leaf brand to consumers and investors. The Company invested $658,834 in selling and marketing expenses for the year ended March 31, 2018, an increase of $231,015 over fiscal 2017. The Company hired dedicated sales staff to grow revenue in North America, enhanced our European sales team to increase our European reach and appointed a chief marketing officer and branding partner.

Administrative and office expenses of $1,564,926 for the year ended March 31, 2018 increased $801,428 over fiscal 2017. Public company costs of $220,257 such as regulatory filing fees, transfer agent fees and insurance increased $185,026 compared to the year ended March 31, 2017 due to the high volume of share capital activity and expanded investor base created in fiscal year 2018. Additional employees and contractors were hired during the year ended March 31, 2018 consistent with the Company's focused effort to assemble a world-class leadership team who will deliver on the Company's growth plans, execute on the design and build of the cultivation and production facility and lead the development of its medicinal cannabis products. Salaries, payroll expenses and consultant fees accounted for $896,362 of total administrative and office expense, an increase of $390,699 over the year ended March 31, 2017. The Company retained Hill+Knowlton, Canada's top-rated government relations firm, to provide insight into the cannabis regulatory environment as we develop our medicinal cannabis product line and bring it to market.

Operating expenditures include an inventory write-down of $217,436 (2017 - $36,000), primarily associated with supplies and packaging materials that will not be used for current product lines. We also wrote off a small amount of finished goods; a portion which used our old product formulation and some private label product. Led by the Chief Marketing Officer, the Company is defining a strategy and rebrand for the Orega Pet product line, acquired by the Company in December 2016. The rebrand will align these products with the Company's objective of creating a plant-focused wellness brand for people and their pets.

RESULTS OF OPERATIONS (continued)

Research and development costs of $57,808 for the year ended March 31, 2018 include costs to develop the Company's hemp-based cat treats which were introduced at a trade show in Germany subsequent to March 31, 2018.

Share-based compensation costs of $1,836,441 (March 31, 2017 - $265,917) were the largest component of the increase in operating expenditures and represent the fair value of stock options granted to employees and others. The fair value is determined using the Black-Scholes option pricing model.

Investors who participated in the Company's Regulation A public offering in January 2018 funded their investment in US dollars, although the offering was priced in Canadian dollars, providing the Company with US proceeds. As a result, the Company recorded a foreign exchange gain of $202,425 for the year ended March 31, 2018 arising from a weak Canadian dollar translating the Company's US dollar bank account, as well as translation of the financial results of its European subsidiary.

QUARTERLY RESULTS

The following table presents selected financial information for the most recent eight quarters:

	Three months ended							
Description	**Mar 31, 2018 $**	**Dec 31, 2017 $**	**Sept 30, 2017 $**	**June 30, 2017 $**	**Mar 31, 2017 $**	**Dec 31, 2016 $**	**Sept 30, 2016 $**	**June 30, 2016 $**
Revenues	383,844	265,555	461,923	289,189	99,331	143,135	89,652	36,418
Total operating expenditures	(1,655,130)	(764,569)	(743,946)	(1,646,210)	(390,901)	(684,868)	(420,269)	(361,796)
Loss and comprehensive loss for period	(1,251,577)	(670,705)	(530,919)	(1,514,735)	(376,349)	(623,661)	(387,771)	(355,269)
Basic and diluted Loss per share	(0.01)	(0.04)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)

RESULTS OF QUARTERLY RESULTS (continued)

Three-months ended March 31, 2018 and three-months ended March 31, 2017

Revenue for the three-months ended March 31, 2018 increased 286% to $383,844, compared to $99,331 for the same period in the prior year. During the three-months ended March 31, 2018, the Company hired additional experienced sales personnel in order to provide aggressive sales and marketing support and grow revenue for its North American and European markets. This focus resulted in a 45% increase in revenue for the three-months ended March 31, 2018 compared to revenue for the three-months ended December 31, 2017, from $265,555 to $383,844. Revenues have been increasing steadily since TL Pet began operations in early 2016 with a relatively small sales team.

During the three-months ended March 31, 2018 the Company's strategic focus continued to be on positioning the Company for growth. Additional expertise was added to the TL Medicine team to assist the Company in obtaining its license to produce medicinal cannabis from Health Canada. In January 2018, the TL Medicine team formed a Medical Advisory Board ("MAB"), consisting of independent medical experts and Dr. Chris Spooner, the Company's Chief Medical Officer. The MAB will provide strategic direction to the Company in designing the Company's medical cannabis product offerings.

The Company incurred a net and comprehensive loss of $1,251,577 for the three-month period ended March 31, 2018 (2017 - $376,349). The main components of the loss for the three-month period ended March 31, 2018 were selling, marketing and administrative costs of $425,878, an inventory write-down of $217,436 and share-based compensation of $967,081 in connection with options granted during the period.

Additional employees, contractors and advisors were hired during the three-months ended March 31, 2018 consistent with the Company's focused effort to assemble a world-class leadership team who will deliver on the Company's growth plans, execute on the design and build of the cultivation and production facility and lead the development of its medicinal cannabis products. Salaries, payroll expenses and contractor fees accounted for $325,759 of administrative expenses for the three month period ended March 31, 2018 (2017 - $108,640) as the number of employees and contractors increased from nine at March 2017 to 21 at March 31, 2018. The balance of administrative expenses of approximately $184,000 relate to public company costs such as regulatory filing fees, transfer agent fees and insurance for the three-months ended March 31, 2018 (2017 - $23,300). These higher costs are due to the expanded investor base created in fiscal year 2018, leading to a higher volume of share capital activity, predominantly during the three-months ended March 31, 2018.

(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

Our financial position and liquidity were strong at March 31, 2018. Proceeds from the issuance of share capital through two private placements, the Regulation A crowdfunding and Canadian side car, as well as various warrant and stock option exercises during the year ended March 31, 2018 increased the ending cash position to $10,812,815 (March 31, 2017 - $159,575).

As at March 31, 2018, the Company had working capital of $10,868,317. Receivables of $385,671 (2017 - $66,179) include trade receivables of $202,683 (2017 – $62,098). As at March 31, 2018, 29% of the Company's trade receivable balance was concentrated with its three largest customers, based on revenue for the year ended March 31, 2018. Trade receivables are non-interest bearing and due within 30 days. As at March 31, 2018 the Company did not have any significant trade receivables that were past due and consequently, the Company's allowance for doubtful accounts was $nil.

Inventory balances as at March 31 were as follows:

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

Product inventory increased to $570,594 at March 31, 2018 (2017 - $392,908) to service immediate sales to US, Canadian and European customers. During the year ended March 31, 2018, the Company wrote off $217,436 (2017 - $36,000) associated with supplies and packaging materials, primarily associated with the Orega Pet product line. We also wrote off a small amount of finished goods; a portion which used our old product formulation and some private label product.

Led by the Chief Marketing Officer, the Company is defining a strategy and rebrand for the Orega Pet product line to align these products with the Company's objective of creating a plant-focused wellness brand for people and their pets.

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 an accrued liability of $98,661 as holdbacks against construction in progress. Construction is on schedule for completion in Fall 2018 and payment of the holdback is expected to occur by March 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Investing activities

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. The total budget for the cannabis cultivation facility is estimated at $6.5 million. The Company has retained Colliers Project Leaders to provide professional project management services and assist management in keeping the project on time and on budget.

The first phase of the project includes a two-storey 9,000 square foot central hub for the initial grow area, laboratory services, whole-plant extraction, and the production of therapeutic cannabis products, plus a 16,000 square foot wing for cannabis cultivation. Ownership of the 40-acre site means the company is well-positioned to expand to meet future market demands.

The Company's capital assets consist of office furniture and equipment, leasehold improvements and the corporate website and had a net book value of $132,420 at March 31, 2018. Capital asset additions for the year ended March 31, 2018 totaled $138,474 for the purchase of office furniture and equipment and leasehold improvements to the Company's Vernon, BC head office to accommodate growth in the Company's management and staff, consistent with the growth activities of the Company. The Company's intangible assets consist of its websites, trademarks and related costs, and intellectual property which had a net book value of $142,690 at March 31, 2018. Intangible asset additions for the year ended March 31, 2018 totaled $37,124 for the protection of trademarks used in the TL Pet business.

(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing activities

The Company's operations during the year ended March 31, 2018 and execution on its business plan, were funded primarily through the issuance of share capital providing gross proceeds of $18,464,265 as described below.

Date	Gross Proceeds	Securities Issued
May 29, 2017	$929,948	3,099,829 units at a price of $0.30 per unit, with each unit comprised of one common share and one warrant exercisable into one additional common share at a price of $0.45 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering.
June 12, 2017	$1,392,545	4,641,816 units at a price of $0.30 per unit, with each unit comprised of one common share and one warrant exercisable into one additional common share at a price of $0.45 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering.
January 22, 2018	$10,000,000	14,285,715 common shares at a purchase price of $0.70 per share.
January 24, 2018	$4,051,655	5,788,078 common shares at a purchase price of $0.70 per share.
Year ended March 31, 2018	$843,645	3,342,580 shares issued upon the exercise of options at an average price of $0.25 per share
Year ended March 31, 2018	$1,246,472	3,707,000 shares issued upon the exercise of warrants at an average price of $0.36 per share.
	$18,464,265	

On January 22, 2018 the Company completed a Regulation A+ crowdfunding campaign approved by the United States Securities and Exchange Commission (the "SEC") raising $10,000,000 in gross proceeds, consisting of 14,285,715 common shares of the Company at a purchase price of $0.70 per share (the "Offering"). True Leaf was the first Canadian-listed company to conduct a successful Regulation A+ Offering. The use of Regulation A+ allowed the Company to offer and sell its common shares to public retail investors as well as traditional accredited and institutional investors. The Company engaged Boustead Securities, LLC Member: FINRA/SIPC ("Boustead"), as lead underwriter in connection with the Regulation A+ crowdfunding campaign, which commenced November 2017 and closed for non-Canadian investors on January 22, 2018.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing activities (continued)
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. The warrants were valued at $789,767 ($0.92 per warrant) using the Black-Scholes option pricing model.

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.

Based on our strong cash position in the fourth quarter, we repaid early the outstanding obligation of $85,117 under a promissory note in March 2018.

Going Concern

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

On January 24, 2018 the Company closed two financings which raised gross proceeds of $14,051,655 in two offerings and put the Company in a strong cash position at March 31, 2018. The proceeds of the financing are being used to execute on the Company's business plan, including construction of its cannabis cultivation facility. Management estimates the total cost of this project will be approximately $6.5 million, of which $726,955 has been incurred and capitalized as at March 31, 2018. 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.

The 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.

(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS

Key management compensation
The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's Directors, Chief Executive Officer and Chief Financial Officer. The total paid as salaries, management fees, accounting fees and share-based compensation for the year ended March 31, 2018 was:

		2018 Compensation and Fees	2018 Share-based compensation	2018 Total	2017 Compensation and Fees	2017 Share-based compensation	2017 Total
Mike Harcourt	Board Chair	$2,500	$151,749	$154,249	$2,500	$31,231	$33,731
Kevin Bottomley	Corporate Director and Vice President	65,500	151,749	217,249	37,500	31,231	68,731
Chris Spooner	Corporate Director and Chief Medical Officer	23,500	151,749	175,249	2,500	31,231	33,731
Darcy Bomford	Chief Executive Officer and Corporate Director	70,000	151,749	221,749	60,000	31,231	91,231
Chuck Austin	Chief Financial Officer	24,000	40,660	64,660	24,000	31,231	55,231
		$185,500	$647,656	$833,156	$126,500	$156,155	$282,655

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

a) Goods and services
- Paid or accrued a total of $30,000 (2017 - $30,000) to its Chief Executive Officer for rent;
- Paid or accrued $92,266 (2017 - $14,271) to First Pacific Enterprises, a company controlled by its Chief Executive Officer, for costs associated with supplies inventory; and
- Paid or accrued $21,000 (2017 – $nil) to Paradigm Medical Services, a company controlled by Chris Spooner, a Director, for medical advisory services provided.

b) Included in accounts receivable at March 31, 2018 is an amount due from director, Chris Spooner, of $119,770.

c) The following amounts were due to related parties as at March 31, 2018 and are unsecured, non-interest bearing with no scheduled terms of repayment:
- First Pacific Enterprises $16,531 (2017 - $23,771)
- Paradigm Medical Services $6,000 (2017 - $nil)

(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS (continued)

d) 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 a fair value of $549,707.

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.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred non-voting shares without par value. As of June 26, 2018, the total number of issued and outstanding common shares was 95,369,059 and there were no preferred shares outstanding.

Warrants
As at June 26, 2018 the following 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		

Stock Options
As at June 26, 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**		

FINANCIAL INSTRUMENTS AND RISK

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, 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 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 accounts receivable. The Company limits its credit exposure on cash by holding its deposits with established financial institutions. 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 and by putting a security agreement in place for the related party receivable at March 31, 2018.

FINANCIAL INSTRUMENTS AND RISK (continued)

Risk (continued)

Liquidity Risk

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 which has an estimated budget of $6.5 million. Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at March 31, 2018, the Company had 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. Additionally, the Company has retained Colliers Project Leaders to provide professional project management services and assist management to keep the project on time and on budget

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. The Company is exposed 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.

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. 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.

FINANCIAL INSTRUMENTS AND RISK (continued)

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 March 31, 2018, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

CHANGES IN ACCOUNTING POLICIES

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. 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of June 26, 2018.

ADDITIONAL INFORMATION

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