True Leaf Medicine International Ltd.
Condensed Consolidated Interim Financial Statements
For the Three Months ended June 30, 2018 and June 30, 2017

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

The accompanying unaudited condensed consolidated interim financial statements of True Leaf Medicine International Ltd. for the three months ended June 30, 2018 and June 30, 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

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

		June 30, 2018		March 31, 2018
Assets				
Current assets				
Cash and cash equivalents	$	7,500,590	$	10,812,815
Receivables (Notes 4,9)		499,268		385,671
Inventories (Note 5)		483,727		570,594
Prepaid expenses and deposits (Note 6)		261,456		149,199
Total current assets		8,745,041		11,918,279
Non-current assets				
Land (Note 6)		3,380,387		3,380,387
Construction in progress (Note 6)		3,143,631		726,955
Capital assets (Note 7)		115,302		132,420
Intangible assets (Note 8)		158,082		142,690
Total assets	**$**	**15,542,443**	**$**	**16,300,731**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	$	973,484	$	927,987
Construction holdback payable (Note 6)		164,858		98,661
Due to related parties (Note 9)		-		23,314
Total current liabilities		1,138,342		1,049,962
Total liabilities		**1,138,342**		**1,049,962**
Shareholders' equity				
Share capital (Note 10)		21,693,918		21,693,918
Reserves		2,569,264		2,518,723
Deficit		(9,859,081)		(8,961,872)
Total shareholders' equity		**14,404,101**		**15,250,769**
Total liabilities and shareholders' equity	**$**	**15,542,443**	**$**	**16,300,731**

Nature of Operations and Going Concern (Note 1)
Commitments (Note 13)
Events after the reporting period (Note 16)

Approved on behalf of the Board of Directors on August 28, 2018

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

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

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

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

		Three months ended June 30, 2018		Three months ended June 30, 2017
Sales	$	491,334	$	289,494
Cost of sales		282,430		148,156
	$	208,904	$	141,338
Operating expenditures				
Accounting and legal	$	92,675	$	89,303
Accretion		-		2,940
Administrative and office (Note 11)		652,480		260,199
Amortization – intangible assets (Note 8)		31,132		5,304
Depreciation – capital assets (Note 7)		26,568		1,467
Directors' fees (Note 9)		1,875		1,875
Research and development		21,492		2,411
Selling and marketing		343,495		152,080
Share-based compensation (Notes 9 and 10)		50,541		793,020
Total operating expenditures		1,220,258		1,308,599
Rental income		24,159		-
Foreign exchange gain (loss)		89,986		(3,630)
Loss and comprehensive loss for the period	**$**	**(897,209)**	**$**	**(1,170,891)**
Loss per common share - basic and diluted	$	(0.01)	$	(0.03)
Weighted average number of common shares outstanding - basic and diluted		95,369,059		54,039,396

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited – prepared by management)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
Balance, March 31, 2017	**60,427,383**	**$ 5,088,454**	**$ 339,802**	**$ (5,001,453)**	**$ 426,803**
Private placements, net of share issue costs	7,741,645	2,289,574	-	-	2,289,574
Shares issued on exercise of stock options	1,388,759	381,709	(129,630)	-	252,079
Share-based compensation	-	-	793,020	-	793,020
Loss for the period	-	-	-	(1,170,891)	(1,170,891)
Balance, June 30, 2017	**69,557,787`**	**$ 7,759,737**	**$ 1,003,192**	**$ (6,172,344)**	**$ 2,2590,585**
Balance, March 31, 2018	**95,369,059**	**$ 21,693,918**	**$ 2,518,723**	**$ (8,961,872)**	**$ 15,250,769**
Share-based compensation	**-**	**-**	**50,541**	**-**	**50,541**
Loss for the period	**-**	**-**	**-**	**(897,209)**	**(897,209)**
Balance, June 30, 2018	**95,369,059**	**$ 21,693,918**	**$ 2,569,264**	**$ (9,859,081)**	**$ 14,404,101**

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

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Condensed Consolidated Interim Statements of Cash Flows

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

	Three months ended June 30, 2018	Three months ended June 30, 2017
Operating activities		
Loss for the period	$ (897,209)	$ (1,170,891)
Items not affecting cash:		
Depreciation – capital assets	26,568	1,467
Amortization – intangible assets	31,132	5,304
Accretion	-	2,940
Share-based compensation	50,541	793,020
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(2,500)	(333,113)
Accounts payable and accrued liabilities	(341,167)	247,566
Due to related parties	(6,783)	(2,625)
Inventories	83,221	(220,334)
Receivables	(113,597)	(62,794)
Net cash used in operating activities	(1,169,794)	(739,460)
Investing activities		
Purchase of capital assets	(9,450)	(4,694)
Intangible asset costs	(45,015)	(18,695)
Development of cannabis cultivation facility	(2,087,966)	-
Net cash used in investing activities	(2,142,431)	(23,389)
Financing activities		
Proceeds from private placements	-	2,322,495
Proceeds from exercise of stock options	-	252,079
Payment of promissory note	-	(11,607)
Share issue costs	-	(32,921)
Net cash provided by financing activities	-	2,530,046
Change in cash and cash equivalents for the period	(3,312,225)	1,767,197
Cash and cash equivalents, beginning of the period	10,812,815	159,575
Cash and cash equivalents, end of the period	$7,500,590	$ 1,926,772

Supplemental disclosure with respect to cash flows (Note 14)

The accompanying notes are an integral part of these condensed 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 June 30, 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 6). 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.

<u>Going Concern</u>

These condensed consolidated interim financial statements (the “financial statements”) have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

On January 24, 2018 the Company closed a financing which raised an aggregate total of $14,051,655 in two offerings, the proceeds of which are being used to execute on the Company’s business plan, including construction of its cannabis cultivation facility (Note 6). For the three-month period ended June 30, 2018, the Company incurred a loss of $897,209 and had an accumulated deficit of $9,859,081. The Company earned revenues of $491,334 (2017 - $289,494) 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.

These 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 financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company as at and for the year ended March 31, 2018.

These condensed interim financial statements were approved by the Company's Board of Directors on August 28, 2018.

(b) Principles of consolidation

These financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These financial statements include the accounts of the Company and its wholly-owned subsidiaries: TL Investments, TL Medicine, TL Pet and TL Pet Europe. All significant intercompany transactions and balances have been eliminated on consolidation.

(c) Basis of measurement and use of estimates

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. All amounts in the financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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) Amortization rates for intangible assets

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the 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) 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.

(d) Comparative figures

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

3. NEW AND FUTURE ACCOUNTING STANDARDS

(a) Adoption of New IFRS Pronouncements

The Company adopted the new IFRS pronouncements listed below as at April 1, 2018, in accordance with the transitional provisions outlined in the respective standards described below.

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued, which adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. The Company has assessed the classification and measurement of its financial instruments and deemed the expected credit loss of its financial assets to be insignificant. As such, the implementation of IFRS 9 did not have a material impact on the financial statements.

IFRS 15 – Revenue

In May 2014 the IASB approved IFRS 15, Revenue from Contracts with Customers, which specifies how and when entities recognize revenue, as well as requires entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions, for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. The Company has reviewed the implications of the adoption of IFRS 15 against its customer contracts and concluded the timing and amount of revenue recognized by the Company did not change from the adoption of IFRS 15.

(b) New standards not yet adopted

During the three-month period ended June 30, 2018, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's financial statements. There are, however, a number of new standards and amendments to existing standards effective in future periods.

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

- 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.

(Expressed in Canadian dollars)

4. RECEIVABLES

		June 30, 2018		March 31, 2018
Trade receivables (a)	$	254,543	$	202,683
Miscellaneous receivable (b)		138,430		119,770
Goods and services tax receivable		106,295		63,218
	$	499,268	$	385,671

(a) Trade receivables

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

During the three-month period ended June 30, 2018, revenues from four customers amounted to 57% of total sales (June 30, 2017 – two customers amounted to 35% of total sales). As at June 30, 2018, the top four customers amounted to 61% of total trade receivables (March 31, 2018 - three customers amounted to 40%).

(b) Miscellaneous receivables

At June 30, 2018 a director and key consultant 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.

At June 30, 2018, miscellaneous receivables include an amount of $18,660 in connection with rent payable by a third party for space at the Company's Lumby property.

5. INVENTORIES

		June 30,2018		March 31, 2018
Finished goods	$	379,225	$	432,729
Supplies		104,502		137,865
	$	483,727	$	570,594

6. 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 June 30, 2018, construction costs incurred of $3,143,631 (March 31, 2018 - $726,955) are capitalized and depreciation will commence when the facility is put into use.

As at June 30, 2018, prepaid expenses and deposits includes a deposit of $135,803 (March 31, 2018 - $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 various permits. As at June 30, 2018, the Company has accrued a liability of $164,858 (March 31, 2018 - $98,661) as holdbacks against construction in progress.

(Expressed in Canadian dollars)

7. CAPITAL ASSETS

Cost:		**Office furniture**		**Office equipment**		**Leasehold improvements**		**Total**
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
Additions		-		9,450		-		9,450
Balance, June 30, 2018	$	20,165	$	59,166	$	79,929	$	159,260
Accumulated depreciation:								
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
Depreciation for the period		4,033		6,549		15,986		26,568
Balance, June 30, 2018	$	6,183	$	12,688	$	25,087	$	43,958
Carrying value:								
As at March 31,2018	$	18,015	$	43,577	$	70,828	$	132,420
As at June 30, 2018	**$**	**13,982**	**$**	**46,478**	**$**	**54,842**	**$**	**115,302**

8. INTANGIBLE ASSETS

Cost:		**Website**		**Trademarks and related costs**		**Intellectual property**		**Total**
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
Additions		-		46,524		-		46,524
Balance, June 30, 2018	$	10,801	$	163,924	$	55,500	$	230,225
Accumulated amortization:								
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
Amortization for the period		845		19,187		11,100		31,132
Balance, June 30, 2018	$	10,801	$	36,367	$	24,975	$	72,143
Carrying value:								
As at March 31, 2018	$	845	$	100,220	$	41,625	$	142,690
As at June 30, 2018	**$**	**-**	**$**	**127,557**	**$**	**30,525**	**$**	**158,082**

9. RELATED PARTY BALANCES AND TRANSACTIONS

a) Goods and services

The Company had the following transactions with related parties during the three months ended June 30, 2018:

- Paid or accrued a total of $7,500 (2017 - $7,500) to its Chief Executive Officer for rent. Subsequent to June 30, 2018, negotiations were in progress to increase the rent to a market-based rate;
- Paid or accrued $36,656 (2017 - $nil) to a company controlled by its Chief Executive Officer for costs associated with supplies inventory;
- Paid or accrued $22,000 (2017 – $nil) to a company controlled by a Director for advisory services provided; and
- Paid or accrued amounts to Directors, including the CEO, totaling $103,415 (June 30, 2017 - $279.881) recorded as director fees, salaries and share-based compensation. Share-based compensation recorded for the three months ended June 30, 2018 was $50,541 (2017 - $244,006).

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 three-months ended June 30, 2018 includes $54,635 (2017 - $125,169) paid to key management personnel as salaries, management fees, consulting fees and amounts recorded as share-based compensation. Share-based compensation recorded for the three months ended June 30, 2018 was $12,635 (2017 - $101,669).

c) Amount due from a director of $119,770 included in receivables at June 30, 2018 (March 31, 2018 - $119,770) (Note 4).

d) Amounts payable to related parties as at June 30, 2018 of $nil (March 31, 2018 - $23,314) are unsecured, non-interest bearing with no scheduled terms of repayment.

e) Share-based compensation

- 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 which is included in operating expenditures for the three-months ended June 30, 2017.
- 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 $50,541 is included in operating expenditures for the three-months ended June 30, 2018.

(Expressed in Canadian dollars)

10. SHARE CAPITAL

a) Authorized

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

b) Issued

The Company had the following share capital transactions during the three-month period ended June 30, 2017:

1. The Company issued 1,388,758 common shares pursuant to the exercise of stock options for gross proceeds of $252,075.

2. On May 29, 2017, the Company completed a private placement by issuing 3,099,829 units at a price of $0.30 per unit for gross proceeds of $929,950. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.45 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering. The Company incurred $12,474 in share issue costs associated with this financing.

3. On June 12, 2017, the Company completed a private placement by issuing 4,641,816 units at a price of $0.30 per unit for gross proceeds of $1,392,545. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.45 per share for a period of two years. No value was assigned to the warrants issued as part of the unit offering. The Company incurred $20,447 in share issue costs associated with this financing.

The Company did not have any share capital transactions during the three-month period ended June 30, 2018.

c) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
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 and June 30, 2018	**6,297,380**	**$0.53**

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

As at June 30, 2018, the following share purchase warrants are outstanding:

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		

d) Stock options

The Company has a Stock Option Plan (the "Plan") in place under which it is authorized to grant options to directors, executive officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company in any twelve-month period. Under the Plan, the exercise price of each stock option is subject to a minimum of $0.10 and may not be less than the closing market price of Company's common 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, 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 and June 30, 2018	**5,907,145**	**$0.55**

As at June 30, 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 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)

10. SHARE CAPITAL (continued)

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 $50,541 is included in operating expenditures for the three-months ended June 30, 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.

11. ADMINISTRATIVE AND OFFICE EXPENSE

	For the three-months ended			
		June 30, 2018		June 30, 2017
Application cost	$	15,900	$	-
Filing fees		240		41,165
Insurance		43,303		4.413
Office supplies		35,183		37,039
Property tax expense		37,658		-
Rent		14,284		17,223
Transfer agent		12,128		6,040
Travel and meals		85,633		17,586
Utilities		5,298		470
Wages and salaries		402,855		136,263
	$	**652,480**	$	260,199

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Fair Value

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

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

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

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

The fair values of cash and 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 June 30, 2018:

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations which will result in a loss for the Company. At June 30, 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. Significant miscellaneous receivable balances are secured, to the benefit of True Leaf.

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 (Note 6). Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at June 30, 2018, the Company has cash and cash equivalents of $7,500,590 (March 31, 2018 - $10,812,815) to settle current liabilities of $1,138,342 (March 31, 2018 - $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.

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.

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

The Company has determined that, with other variables unchanged, the effect of a 10% increase in the Canadian dollar as at June 30, 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 $446,000 to the net loss and comprehensive loss for the three-months ended June 30, 2018 (2017 - $19,900). The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

At June 30, 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 interest rates. In seeking to minimize the risk from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. As at June 30, 2018, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

Capital Management

The Company's capital includes share capital and the accumulated deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments in 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 three-months ended June 30, 2018.

13. COMMITMENTS

The Company had the following commitments as of June 30, 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.

(Expressed in Canadian dollars)

13. COMMITMENTS (continued)

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 June 30, 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. As of June 30, 2018, the fee was $8,000 per month. Subsequent to June 30, 2018, the individual ceased to be Director of the Company, and will no longer be a related party.

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

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing activities during the three-month periods ended June 30, 2018 and 2017 consisted of the following:

		2018		2017
Inventory costs included in accounts payable and accrued liabilities	$	3,646	$	-
Prepaid expenses and deposits included in accounts payable and accrued liabilities		109,757		-
Intangible asset costs included in accounts payable and accrued liabilities.		1,509		-
Capital assets included in accounts payable and accrued liabilities		-		3,287
Construction costs included in accounts payable and accrued liabilities		328,711		-
Construction costs included in construction holdback payable		66,197		-
Fair value relating to nil (2017 – 1,388,759) stock options exercised was recorded as an increase to share capital and a reduction from reserves.		-		129,630

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION

Operating segmented information

As at June 30, 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 June 30, 2018	Pet	Medicine	Corporate	Total
Current assets	$1,028,924	$ 411,286	$7,304,831	$ 8,745,041
Non-current assets	209,333	6,588,069	-	6,797,402
Total assets	1,238,257	6,999,354	7,304,831	15,542,443
Liabilities	(190,788)	(704,467)	(243,087)	(1,138,342)
Net assets	$1,047,469	$ 6,294,887	$7,061,744	$14,404,101
For the three-months ended June 30, 2018				
Revenues	$ 491,334	$ -	$ -	$ 491,334
Gross profit	209,997	-	-	209,997
Operating expenses	465,131	145,754	610,466	1,221,351
Loss and comprehensive loss	$(255,134)	$ (145,754)	$ (496,321)	$ (897,209)

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

As at and for the three-months ended June 30, 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 as at and for the three-months ended June 30, 2017 is not presented.

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (continued)

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 June 30, 2018		North America		Europe		Total
Current assets	$	8,580,509	$	164,532	$	8,745,041
Non-current assets		6,755,795		41,607		6,797,402
Liabilities		(1,097,226)		(41,116)		(1,138,342)
Total net assets	$	14,239,078		165,023		14,404,101
Revenues	$	342,188	$	149,146	$	491,334

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

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the three-month period ended June 30, 2018:

a) The Company signed an employment agreement with a senior executive which includes provision for severance pay if the individual is terminated without cause or due to a change in control. The Company incurs the following obligation based on the salary agreed to subsequent to June 30, 2018:

- Terminated prior to September 10, 2020 - $195,000 plus accrued bonus or
- Terminated after September 10, 2020 - $292,500 plus accrued bonus.

Upon commencement of employment, the agreement obligates the Company to grant the executive 100,000 shares in the Company, to be held on a restricted basis for one year from the issue date. The agreement obligates the Company to grant the executive 750,000 stock options which vest evenly over three years, with 1/3 of the options vesting each year on the anniversary of the grant date.

b) The Company granted a total of 935,000 stock options at an exercise price of $0.50 per option and expiry date of July 31, 2023 to directors, officers, consultants and a vendor, of which 450,000 options vested immediately. The balance of 485,000 options vest evenly over three years, with 1/3 of the options vesting each year on the anniversary of the grant date.