

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

On August 28, 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 condensed interim consolidated financial statements of the Company together with the related notes thereto for the three-month period ended June 30, 2018, as well as our audited consolidated financial statements and accompanying MD&A 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 condensed consolidated interim financial statements of the Company together with the related notes thereto for the three-months ended June 30, 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Months Ended June 30, 2018
(Expressed in Canadian dollars)

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.

The Company’s shares trade on the Canadian Securities Exchange (the “CSE”) under the symbol “MJ”, the OTC Market Group’s OTCQB® Venture Market under the ticker symbol “TRLFF” and the Frankfurt Stock Exchange under the symbol “TLA”.

OUR BUSINESS

True Leaf is a plant-forward 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 cannabis products that will be sold across Canada, the United States and around the globe.

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 of June 30, 2018, the Company has completed the security clearance stage, but does not have a license to produce cannabis and no TL Medicine products are in commercial production or use.

To be granted an ACMPR license, the Company 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

OUR BUSINESS (continued)

Established in 2015, TL Pet primarily markets hemp 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 cannabis focused 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 2,000 stores globally, with retail partners like PetSmart Canada, Pets Supplies Plus, Pets Corner UK and Amazon.

TL Pet's formulations were created with veterinarian support and include other plant-based holistic ingredients. All products sold are federally legal in the US, Canada and Europe and are part of a broader strategy to position the Company as a global, plant-forward 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. By the scheduled date of Fall 2018, 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 standard producer under the Cannabis Act.
4. Receive approval to sell medicinal cannabis under the Cannabis Act 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

STRATEGIC OUTLOOK (continued)

The Company's long-term business objectives are:

1. For TL Pet:
 - a. Carve a niche in the global pet industry as a plant-forward wellness brand with a mission to improve quality of life for pets.
 - 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 new Cannabis Act 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 integrative medicine community, made up of naturopathic physicians and medical doctors 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. Assign capital for research and development in order to build a base of intellectual property from proprietary formulations, cultivars, delivery mechanisms, etc.
 - h. Assess and explore opportunities to develop a base of wholesale supply contracts for the recreational or medicinal markets.
 - i. Continue to assess ongoing demand and review long-term plans for the buildout and implementation of phase two, expanding production capacity to a total of 10,000 kilograms of dried flower per year.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

QUARTERLY RESULTS OF OPERATIONS

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

Description	Three months ended							
	June 30, 2018	Mar 31, 2018*	Dec 31, 2017*	Sept 30, 2017 *	June 30, 2017*	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	491,334	383,844	265,555	461,923	289,494	99,331	143,135	89,652
Total operating expenditures	(1,220,258)	(2,230,603)	(641,295)	(629,358)	(1,308,599)	(390,901)	(684,868)	(420,269)
Loss and comprehensive loss for period	(897,209)	(1,833,283)	(547,431)	(416,331)	(1,170,891)	(376,349)	(623,661)	(387,771)
Basic and diluted Loss per share	(0.01)	(0.01)	(0.04)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)

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

All of the Company's revenues from inception to date are from the sale of its hemp based products 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 2,000 stores worldwide, including PetsSuppliesPlus (USA), PetSmart Canada, Pets Corner UK, and online on Amazon

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. The Company's cost of sales includes inventory, product-related costs and costs to ship products to customers.

Three-months ended June 30, 2018 and three-months ended June 30, 2017

Revenue for the three-months ended June 30, 2018 was \$491,334 – the Company's highest revenue quarter to date and increased 70% to \$491,334, compared to \$289,494 for the same period in the prior year. Growth of the Company's European operations contributed \$149,000 of the increase in revenue, an increase of 733% compared to \$18,000 for the same period in the prior year from the European operations. Hiring experienced sales personnel to provide aggressive sales and marketing support and grow revenue for its North American and European markets enabled the growth in sales. Revenues have been increasing steadily since TL Pet began operations in early 2016 with a relatively small sales team. Revenues increased 28% for the three months ended June 30, 2018 compared to the three-months ended March 31, 2018.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

QUARTERLY RESULTS OF OPERATIONS (continued)

The Company incurred a net loss of \$897,209 for the period ended June 30, 2018 (2017 - \$1,170,891). Revenue from the Company's pet business continues to grow, although not yet sufficient to fully fund the Company's operating expenditures. Operating expenditures consist primarily of: selling and marketing, administrative and office, accounting and legal expenses and share-based compensation.

Total operating expenditures of \$1,220,258 for the three-months ended June 30, 2018 were slightly lower than the same period in the prior year, although the nature of expenditures was different between periods. For the three-months ended June 30, 2018, selling and marketing expenses were \$343,495 (2017 - \$152,080), administrative expenses were \$652,480 (2017 - \$260,199), and share-based compensation was \$50,541 (2017 - \$967,081).

Selling and marketing expenses include salaries, commissions, travel costs and promotional activities in connection with the sale of pet products and raising awareness of the True Leaf brand to consumers and investors.

The increase in selling and marketing expenses of \$191,415 for the period ended June 30, 2018 compared to the same period in 2017 is consistent with the Company's objective of growing revenue for its pet treats and increasing awareness of True Leaf as a plant-forward wellness brand for people and their pets. The increase in selling costs is primarily due to salaries and travel costs of a dedicated sales team working to win new customers, as well as attending trade shows in North America and Europe to build awareness for the Company's products. Additional sales staff hired in January 2018 in Canada, the United States and Europe contributed to \$97,000 of the increase when comparing June 2018 to June 2017 results. The benefit of this investment is reflected in the Company's revenue growth and increase in store count from approximately 1,800 at March 31, 2018 to 2,000 at June 30, 2018. The Company invested a further \$45,000 with its branding partner and Chief Marketing Officer during the period ended June 30, 2018 to lead the Company through a process to strengthen and leverage the Company's brand as a provider of hemp based pet products that are legally compliant in all markets.

Administrative and office expenses of \$652,480 for the period ended June 30, 2018 increased \$392,281 (2017 - \$260,199), primarily due to the hiring of additional employees and contractors in early 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 \$402,855 of total administrative and office expense (2017 - \$136,263). The increase is attributable to an increase in the number of employees and consultants at June 2018 compared to June 2017, as well as costs incurred to retain an external talent search firm. In early 2018, the Company retained Hill+Knowlton, Canada's top-rated government relations firm, to provide insight into the cannabis regulatory environment and assist the Company with its application to Health Canada to become a licensed to sell medicinal cannabis.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

QUARTERLY RESULTS OF OPERATIONS (continued)

Other contributors to the increase in administrative and office expenses for the period ended June 30, 2018 are increased insurance expense and general travel, offset by a decrease in public company costs.

Insurance expense is \$40,000 higher for the period ended June 30, 2018 compared to 2017. The insurance industry in Canada and the United States are reluctant to provide coverage to the cannabis sector, resulting in higher insurance costs for the Company of \$43,303 for the period ended June 30, 2018 (2017 - \$4,413).

Travel expenditure for the period ended June 30, 2018 was \$85,633 compared to \$17,586 for the same period in the prior year. Management travelled to seek out strategic partnerships, pursue investor opportunities and conduct face-to-face meetings.

Public company costs reduced from \$47,205 for the period ended June 30, 2017 to \$12,368 for the period ended June 30, 2018 as there was no share capital activity during the current period.

Share-based compensation costs were significantly lower at \$50,541 for the period ended June 30, 2018 (2017 - \$793,020) because a portion of the options granted in February 2018 vest over time, whereas previous options granted vested immediately. The Company's revised approach to granting stock options better aligns those receiving options with contributing to the long-term growth and success of the Company. The revised approach results in recognition of the expense, based on the fair value of the options using the Black-Scholes option pricing model, consistent with the vesting period.

Research and development expense include costs associated with the Company's Medical Advisory Board ("MAB") and the development of new products targeted for people. TL Medicine formed a MAB consisting of independent medical experts and Dr. Chris Spooner, the Company's Chief Scientific Officer. Management is working with the MAB to develop a niche product line strategy will produce strains targeted at specific medical ailments identified by the MAB. Subsequent to June 30, 2018, the Company entered into an agreement with veterinarian Dr. Katherine Kramer, to chair the Company's newly established Veterinary Advisory Board which will provide strategic direction to TL Pet and assist the company with the development of a 'CBD' product line for pets. Dr. Kramer is a vocal advocate for the research and therapeutic use of cannabis for animals, is the Medical Director at the VCA-Canada Vancouver Animal Wellness Hospital and has been practicing veterinary medicine for 16 years. She became interested in alternative treatment early in her career, blending herbs and acupuncture with Western medicine to promote optimal health.

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 \$89,986 for the three-months ended June 30, 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

The Company's financial position and liquidity were strong as at June 30, 2018, with an ending cash position of \$7,500,590 due to the issuance of share capital during the year ended March 31, 2018.

As at June 30, 2018, the Company had working capital of \$7,606,699 (March 31, 2018 - \$10,868,317). Receivables of \$499,268 (March 31, 2017 - \$385,671) include trade receivables of \$254,543 (March 31, 2018 - \$202,683). As at June 30, 2018, the top four customers amounted to 61% of total trade receivables (March 31, 2018 - three customers amounted to 40%) and all of the trade receivables were in good standing.

Inventory balances were as follows:

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

The growth in sales during the quarter reduced product inventory to \$379,225 at June 30, 2018 from \$432,729 at March 31, 2018. The Company's co-packing arrangements enable it to quickly scale production to respond to increased customer demand.

As at June 30, 2018, prepaid expenses and deposits includes a deposit of \$135,803 (March 31, 2018 - \$25,827) and prepaid property taxes of \$38,637 for the Lumby property. The deposit is 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 March 31, 2018, the Company has an accrued liability of \$164,858 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES (continued)

Investing activities

During the three-months ended June 30, 2018, the Company capitalized construction costs of \$2,416,676 (year ended March 31, 2018 - \$726,955) in connection with its cannabis cultivation facility in Lumby, BC. 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-story 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 \$115,302 (March 31, 2018 - \$132,420). Capital asset additions for the three-months ended June 30, 2018 totaled \$9,450 (three-months ended June 30, 2017 - \$4,694) for the purchase of office furniture equipment to enhance communication between the Company's geographically disbursed team. The Company's intangible assets consist of its websites, trademarks and related costs, and intellectual property which had a net book value of \$158,082 at June 30, 2018 (\$142,690 at March 31, 2018). Intangible asset additions for the three months ended June 30, 2018 totaled \$46,524 (three months ended June 30, 2017 - \$10,663) for the protection of trademarks used in the TL Pet business and development of an e-commerce site for the European operation.

Financing activities

The Company's operations during the three months ended June 30, 2018 were funded by the revenue generating activities of True Leaf Pet and the issuance of share capital during the year ended March 31, 2018 which provided gross proceeds of \$18,464,265.

The majority of capital raised in fiscal 2018 was through two public financings. The completion of a Regulation A+ crowdfunding campaign approved by the United States Securities and Exchange Commission (the "SEC") raised \$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. In addition, on the same terms as the Offering, the Company closed a concurrent Canadian private placement of 5,788,078 common shares raising an aggregate total of \$4,051,655.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES (continued)

Going Concern

The condensed consolidated interim 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 June 30, 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 \$3,143,631 has been incurred and capitalized as at June 30, 2018. For the three-months 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.

The condensed consolidated interim 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(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 three-months ended June 30, 2018 was:

			2018			2017		
			Compensation and Fees	Share-based compensation	Total	Compensation and Fees	Share-based compensation	Total
Mike Harcourt	Board Chair		\$ 625	\$12,635	\$ 13,260	\$ 625	\$ 61,002	\$ 61,627
Kevin Bottomley	Corporate Director and Vice President		15,625	12,635	28,260	17,125	61,002	78,127
Chris Spooner	Corporate Director and Chief Medical Officer		625	12,635	13,260	625	61,002	61,627
Darcy Bomford	Chief Executive Officer and Corporate Director		36,000	12,636	48,636	15,000	61,002	76,002
Chuck Austin	Chief Financial Officer		6,000	-	6,000	6,000	40,668	46,668
			\$ 58,875	\$ 50,541	\$109,416	\$ 39,375	\$ 284,675	324,051

Related party transactions

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

- a) Goods and services
 - Paid or accrued a total of \$7,500 (2017 - \$7,500) to its Chief Executive Officer, Darcy Bomford, for rent;
 - Paid or accrued \$36,656 (2017 - \$nil) to First Pacific Enterprises, a company controlled by its Chief Executive Officer, for costs associated with supplies inventory; and
 - Paid or accrued \$22,000 (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 June 30 and March 31, 2018 is an amount due from a Director, Chris Spooner, of \$119,770.

- c) The following amounts were due to related parties as at June 30, 2018 and are unsecured, non-interest bearing with no scheduled terms of repayment:
 - First Pacific Enterprises \$nil (March 31, 2018 - \$16,531)
 - Paradigm Medical Services \$nil (March 31, 2018 - \$6,000)
 - Darcy Bomford \$nil (March 31, 2018 - \$783)

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS (continued)

d) 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 with a fair value of \$284,675, all of which was included in operating expenditures for the three months ended June 30, 2017 as the options vested immediately.

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 as a portion of the options vest over a three-year period.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred non-voting shares without par value. As of August 28, 2018, the total number of issued and outstanding common shares was 95,369,059 and there were no preferred shares outstanding.

Warrants

As at August 28, 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		

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

SHARE CAPITAL (continued)

Stock Options

On July 31, 2018, 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 one-third of the options vesting each year on the anniversary of the grant date.

As at August 28, 2018 the following stock options are outstanding and exercisable:

Number of Options		Exercise	Expiry Date
Outstanding	Exercisable	Price (\$)	
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
935,000	450,000	0.50	July 31, 2023
6,842,145	5,557,145		

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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

FINANCIAL INSTRUMENTS AND RISK (continued)

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 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. Significant miscellaneous receivable balances are secured, to the benefit of the Company.

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 June 30, 2018, the Company had cash and cash equivalents of \$7,500,590 to settle current liabilities of \$1,138,241. 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

FINANCIAL INSTRUMENTS AND RISK (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. 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. 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. As at June 30, 2018, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

CHANGES IN ACCOUNTING POLICIES

(a) Adoption of New IFRS Pronouncements

The Company adopted the new IFRS pronouncements listed below as of 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 condensed interim 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

CHANGES IN ACCOUNTING POLICIES (continued)

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

SUBSEQUENT EVENTS

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

1. 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.

2. 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.

TRUE LEAF MEDICINE INTERNATIONAL LTD.
Management Discussion & Analysis
For the Three-Month Periods Ended June 30, 2018 and June 30, 2017
(Expressed in Canadian dollars)

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of August 28, 2018.

ADDITIONAL INFORMATION

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