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

On February 25, 2019

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 consolidated interim financial statements of the Company together with the related notes thereto for the three and nine-month period ended December 31, 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* as issued by the *International Accounting Standards Board* ("IFRS") 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 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 and nine months ended December 31, 2018 in accordance with IFRS, 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.

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 leading global cannabis and hemp wellness brand for 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 be a global cannabis-for-pets brand leader by embracing natural alternatives to help pets live healthier and longer lives. Management believes that both the cannabis and pet industries represent high-growth industries.

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. In October of 2018, the ACMPR process changed as a result of new regulations that amended the Controlled Drugs and Substances Act, the Criminal Code and other Acts (the "Cannabis Act"). The Cannabis Act and related regulations issued pursuant to the Cannabis Act (the "Cannabis Regulations") were implemented on October 17, 2018. As a result, the Company's application to become a licensed producer and grower of cannabis under the ACMPR has now been moved to the Cannabis Tracking and Licensing System ("CTLS") under the Cannabis Act. 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 Cannabis Act.

TL Pet launched its hemp-seed based pet supplement and treat product line in the fall of 2015. The Company shares the commitment of its customers to improve the overall health of their pets with natural ingredients. The Company believes that consumers are looking for higher quality products that address nutritional needs common to their pets, without having to worry about food safety or harmful side effects. Products containing hemp, including hemp seed oil, hemp protein and hemp extracts are gaining significant acceptance as evidence of their nutritional effectiveness becomes

OUR BUSINESS (continued)

recognized. The Company's products are developed and marketed for the purpose of improving the health, comfort, enjoyment and safety of our customers' pets. The current hemp-seed based formula is legally compliant and meets US and Canadian guidelines allowing TL Pet to establish a distribution network that includes more than 2,800 stores globally, with retail partners like PetSmart Canada, Pets Supplies Plus, Pets Corner UK and Amazon. The Company can and will use other channels to sell its products including veterinarians, food wholesalers, drug stores, club stores, mass merchandisers, discount stores and natural foods stores. The Company currently sells its hemp pet products in Canada, the United States and Europe.

TL Pet's formulations were created with veterinarian support and include other plant-based natural 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 the global brand leader in the cannabis-for-pets space. The Company is currently working with a Vancouver branding firm to solidify this strategy and its brand message and plans to bring more pet products to the market.

STRATEGIC OUTLOOK

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

1. Continue to build worldwide market share, distribution networks, secure new customers, and launch new items in the natural pet product space, growing 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 first part of phase one of the Company's 18,000 square foot medicinal cannabis production facility located in Lumby, British Columbia, in order to comply with Health Canada's requirements to become a licensed producer under the new Cannabis Act.

4. Receive approval to sell medicinal cannabis under the Cannabis Act in order to commence the research & development and sale of cannabis-based products.

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

STRATEGIC OUTLOOK (continued)

The Company's long-term business objectives are:

1. For TL Pet:

    a) Create a global cannabis-for-pets brand, with the mission to improve the quality of life for companion animals;

    b) Increase sales, distribution and store count within the pet specialty, mass-pet, veterinary and food/drug/mass market segments in addition to building a dedicated consumer base online;

    c) Launch additional product lines and secure additional distribution partners in the European markets;

    d) Seek out key distribution partners for alternative market regions like Asia, South America and other potential new markets;

    e) Continue to perform R&D work and launch new 'CBD' pet 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 Cannabis Act in Canada;

    b) Implement in-house lab and build out lab services business model, including extraction, fractionation and remediation equipment;

    c) Assess the sale/lease of space within the Lumby facility, as well as offering value-added services, supporting the micro-cultivator cannabis community;

    d) Assess ongoing demand for the build out of the additional 16,000 square foot growing space as part of phase one, and the phase two capacity, which in total, could expand production capacity to 10,000 kilograms of dried flower per year;

    e) Assign capital towards research and development in order to build a base of intellectual property from proprietary formulations, cultivars, with a focus on unique pet product formulations and supplements;

    f) Assess and explore opportunities to develop a base of wholesale supply contracts for the recreational or medicinal markets.

(Expressed in Canadian dollars)

QUARTERLY RESULTS OF OPERATIONS

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

	Three months ended							
Description	Dec 31, 2018 $	Sept 30, 2018 $	June 30, 2018 $	Mar 31, 2018* $	Dec 31, 2017* $	Sept 30, 2017 * $	June 30, 2017* $	Mar 31, 2017 $
Revenues	652,370	572,071	491,334	383,844	265,555	458,729	292,383	99,331
Total operating expenditures	(1,629,025)	(1,569,262)	(1,220,258)	(2,242,640)	(649,073)	(650,722)	(1,257,104)	(390,901)
Loss and comprehensive loss for period	(1,312,089)	(1,330,927)	(865,059)	(1,839,673)	(541,041)	(416,330)	(1,170,891)	(376,349)
Basic and diluted Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.03)	(0.01)

** Certain comparative figures have been restated to conform to the current period's presentation as described in Note 2(d) of the condensed consolidated interim financial statements.*

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 2,800 stores worldwide 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.

RESULTS OF OPERATIONS

Nine-months ended December 31, 2018 and nine-months ended December 31, 2017

Revenue for the nine-months ended December 31, 2018 was $1,715,775 – the Company's highest revenue over three quarters to date and an increase of 69% from the comparable nine-month period in the prior year, which had revenue of $1,016,667. The Company's European operations contributed $291,437 of the total revenue for this nine-month period, an increase of 167% compared to $109,030 for the same period in the prior year.

RESULTS OF OPERATIONS (continued)

Hiring experienced sales personnel to provide aggressive sales and marketing supported the growth in revenue for the North American and European markets. Revenues have been increasing steadily since TL Pet began operations in early 2016 with a small sales team. The Company will continue to expand the sales and marketing team to ensure continued revenue growth.

The Company incurred a net loss of $3,508,075 for the nine-month period ended December 31, 2018 (2017 - $2,128,262). 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 $4,418,545 for the nine-months ended December 31, 2018 were higher than the same period in the prior year, driven by higher selling and marketing, and office and administration, offset by lower share-based compensation. For the nine-months ended December 31, 2018, selling and marketing expenses were $1,350,480 (2017 - $410,996), administrative expenses were $2,110,331 (2017 - $941,823), and share-based compensation was $455,477 (2017 - $869,360).

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 $939,484 for the period ended December 31, 2018 compared to the same period in 2017 is consistent with the Company's objective of growing revenue for its pet treat and supplements and increasing the brand awareness of the True Leaf name as a global leader in the cannabis for pets market. 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 attend trade shows in North America and Europe to build awareness for the Company's products. 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 approximately 3,500 at December 31, 2018. A portion of the increase in marketing expenses for the period relates to fees paid to a branding and market positioning expert to enhance the Company's global cannabis for pets brand.

Administrative and office expenses of $2,110,331 for the period ended December 31, 2018 increased $1,168,508 (2017 - $941,823), due to higher insurance costs and travel costs related to investor relations activities throughout the period, as well as recruitment and salaries related to the hiring of additional employees and contractors throughout the nine months ended December 31 2018.

RESULTS OF OPERATIONS (continued)

Salaries, payroll expenses, recruitment and consultant fees accounted for $1,236,976 of total administrative and office expense (2017 - $567,937). The increase is attributable to an increase in the number of employees and consultants at December 2018 compared to December 2017, as well as costs incurred to retain a top external executive search firm. These costs are 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 pet and cannabis products.

In early 2018, the Company also 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 producer to sell medicinal cannabis.

Share-based compensation cost was lower at $455,477 for the period ended December 31, 2018 (2017 - $869,360) because fewer options were granted during the current period versus the comparable period in 2017, as well as a large portion of the options granted in the comparable period in 2017 vested immediately. The Company's revised approach to granting stock options include a longer vesting period, which better aligns those receiving options with contributing to the long-term growth and success of the Company. The Company recognizes the expense, based on the fair value of the options, using the Black-Scholes option pricing model.

Research and development expense include costs associated with the Company's Medical Advisory Board ("MAB") and the research of new products targeted for cats and people. TL Medicine formed a MAB consisting of independent medical experts and Dr. Chris Spooner, a naturopath. During the period, the Company eliminated the MAB and Dr. Spooner resigned from the Board, as a result of its heavier focus on pets and pet products.

As a result, the Company entered into an agreement with veterinarian Dr. Katherine Kramer during the period, 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 hemp and hemp-based 'CBD' products for its line of pet products. 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.

(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at December 31, 2018, the Company had an ending cash position of $2,386,083 and working capital of $1,980,028 (March 31, 2018 - $10,868,317). The Company has used capital to complete the build out of its True Leaf Campus cannabis facility in Lumby, BC as well as fund on-going business growth.

Receivables of $613,348 (March 31, 2018 - $385,671) include trade receivables of $249,835 (March 31, 2018 - $202,683). As at December 31, 2018, the top three distributors amounted to 9% of total trade receivables (March 31, 2018 – top three distributors amounted to 40%) and all of the trade receivables were in good standing.

Inventory balances were as follows:

		December 31, 2018		March 31, 2018
Finished goods	$	284,703	$	432,729
Supplies		117,754		137,865
	$	402,457	$	570,594

The growth in sales during the period reduced product inventory to $284,703 at December 31, 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 December 31, 2018, prepaid expenses and deposits increased from $149,199 at March 31, 2018 to $528,177, which includes deposits of $135,803 (March 31, 2018 - $34,903) and prepaid insurance premiums of $324,089. The construction deposits of $128,077 are 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 December 31, 2018, the Company had an accrued liability of $509,571 as holdbacks against construction in progress. Construction is set for completion during the first quarter of 2019 and payment of the holdback is expected to occur subsequent to March 31, 2019.

Investing activities

During the nine-months ended December 31, 2018, the Company capitalized construction costs of $6,023,958 (year ended March 31, 2018 - $726,955) in connection with its cannabis cultivation facility in Lumby, BC. Depreciation will commence when the facility is available for its intended use. The total cost for the portion of phase one of the cannabis cultivation facility being completed is estimated at $7.4 million and is on track to complete on budget. The Company has retained Colliers Project Leaders to provide professional project management services and assist management completing the project in a timely manner.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Investing activities (continued)

The entire first phase of the project includes a two-story 18,000 square foot central hub which is currently being built for the initial grow area, laboratory services, whole-plant extraction, and the production of therapeutic cannabis products, plus an optional 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 $120,070 at December 31, 2018 (March 31, 2018 - $132,420). Capital asset additions for the nine-months ended December 31, 2018 totaled $44,331 (nine-months ended December 31, 2017 - $120,665) for the purchase of office furniture and other 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 $152,345 at December 31, 2018 ($142,690 at March 31, 2018). Intangible asset additions for the nine-months ended December 31, 2018 totaled $52,775 (December 31, 2017 - $30,108) 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 nine-months ended December 31, 2018 were funded by the revenue generating activities of True Leaf Pet, issuance of share capital on exercise of stock options and warrants which provided gross proceeds of $185,572 and continued use of the $18,464,265 proceeds generated through the issuance of share capital during the year ended March 31, 2018.

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.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing activities (continued)

On February 21, 2019 the Company closed the definitive agreement for the issue of a convertible security for gross proceeds of $4,500,000 (the "Investment") with Lind Asset Management, LLC, a New York-based institutional fund manager (the "Investor"). The Investment will have a term of 24 months and is repayable at any-time by the Company, subject to the Investor having the right to convert 25% of the amount outstanding into common shares. The security has a $5,400,000 face value and is comprised of a principal amount of $4,500,000 and a pre-paid interest amount of $900,000. The pre-paid interest amount will be reduced by $450,000 if the Investment is paid back within twelve months. Subject to the Company's buy-back right of the Investment, the Company is required to repay the principal amount in 18 equal monthly payments commencing seven months from closing.

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.

For the nine-month period ended December 31, 2018 the Company incurred a loss of $3,508,075 and had an accumulated deficit of $12,469,947. The Company earned revenues of $1,715,775 (2017 - $1,016,667) from TL Pet and TL Pet Europe; although, these two operations have not yet achieved profitability. On February 21, 2019 the Company closed a financing which raised gross proceeds of $4,500,000. After fees and other expenses, the financing provided net proceeds of $4,342,500, which included $250,000 to be set aside in a restricted cash reserve account. The net proceeds will be used to execute the Company's business plan, with focus on growing and expanding the pet business including new products, expanding the distribution capabilities and strengthening the brand. Management believes this financing will provide adequate liquidity to support the Company's continued operations for the ensuing twelve months.

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.

(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS

a) *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 nine-months ended December 31, 2018 and December 31, 2017 was:

		2018			2017		
		Compensation and Fees	Share-based compensation	Total	Compensation and Fees	Share-based compensation	Total
Mike Harcourt	Board Chair	$ 1,875	$ 50,788	$ 52,663	$ 1,875	$ 60,990	$ 62,865
Sylvain Toutant	Corporate Director	10,000	9,195	19,195	-	-	-
Kevin Bottomley	Corporate Director and Vice President	46,875	50,788	97,663	49,875	60,990	110,865
Chris Spooner	Corporate Director and Chief Medical Officer	625	-	625	1,875	60,990	62,865
		$ 59,375	$ 110,771	$ 170,146	$ 53,625	$ 182,970	$236,595
Darcy Bomford	Chief Executive Officer and Corporate Director	108,000	50,788	158,788	45,000	60,.990	105,990
Kerry Biggs	Chief Financial Officer (Sept 10/18)	60,733	98,533	159,266	-	-	-
Chuck Austin	Chief Financial Officer (to Sept 10/18)	-	-	-	18,000	40,660	58,660
		$ 168,733	$ 149,321	$ 318,054	$ 63,000	$ 101,650	$164,650
		$ 228,108	$ 260,092	$ 488,200	$ 116,625	$ 284,620	$401,245

(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS (continued)

b) Goods and services

The Company had the following transactions with related parties during the three months and nine months ended December 31, 2018 and 2017:

	Three months ended December 31, 2018	Three months ended December 31, 2017	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Paid to the Chief Executive Officer for office space rental	$ 7,500	$ 7,500	$ 22,500	$22,500
Paid to a company controlled by its Chief Executive Officer for costs associated with packaging inventory	$126,577	$68,270	$171,555	$75,891
Paid to Paradigm Medical Services, a company controlled by a past Director, for advisory services	$ -	$ 3,000	$ 56,000	$ 3,000

c) Amount due from a former director of $119,770 included in receivables at December 31, 2018 (March 31, 2018 - $119,770).

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

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 February 25, 2019 the total number of issued and outstanding common shares was 96,386,204 and there were no preferred shares outstanding.

During the nine-month period ended December 31, 2018 and through to February 25, 2019, the Company issued the following securities:

- 100,000 common shares pursuant to an employment agreement;
- 857,145 common shares pursuant to the exercise of share options, and
- 60,000 common shares pursuant to the exercise of share purchase warrants.

SHARE CAPITAL (continued)

Stock Options

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 no expected dividends.

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 $128,213 is included in operating expenditures for the six-months ended September 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. During the nine months ended December 31, 2018, a former Director forfeited 100,000 non-vested options upon his resignation.

On July 31, 2018 the Company granted 935,000 stock options at an exercise price of $0.50 per option to directors, officers, and consultants, of which 450,000 options vested immediately. The balance of 485,000 options vest evenly over three years with the final amount vesting July 31, 2021. The stock options were valued at $335,610 in total ($0.36 per option), of which $179,303 is included in operating expenditures for the six-months ended September 30, 2018. The options were valued using the Black-Scholes option pricing model with the following assumptions: term of 5 years, historical volatility of 93.0%, risk-free rate of 2.22% and expected dividends of $nil.

On September 10, 2018 the Company granted 1,050,000 stock options at an exercise price of $0.56 per option to officers and consultants. The options vest evenly over three years, with the final amount vesting on September 10, 2021. The stock options were valued at $422,072 in total ($0.40 per option), of which $14,133 is included in operating expenditures for the six-months ended September 30, 2018. The options were valued using the Black-Scholes option pricing model with the following assumptions: term of 5 years, historical volatility of 93.0%, risk-free rate of 2.22%.

(Expressed in Canadian dollars)

SHARE CAPITAL (continued)

As at February 25, 2019 the following stock options are outstanding and exercisable:

Number of Options			
Outstanding	Exercisable	Exercise Price ($)	Expiry Date
2,250,000	2,250,000	0.40	May 29, 2019
300,000	300,000	0.45	July 18, 2019
100,000	100,000	0.94	February 6, 2020
1,225,000	600,000	0.94	February 6, 2023
900,000	415,000	0.50	July 31, 2023
1,050,000	-	0.56	September 10, 2023
5,825,000	**3,665,000**		

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	**5,907,145**	**$0.55**
Stock options exercised	(857,145)	0.40
Stock options granted	1,985,000	0.53
Stock options forfeited	(925,000)	0.65
Balance, December 31, 2018	**6,110,000**	**$0.58**
Stock options forfeited	(285,000)	0.89
Balance, February 25, 2019	**5,825,000**	**$0.57**

Warrants

As at February 25, 2019 the following share purchase warrants are outstanding and exercisable:

	Number of Warrants	Exercise Price ($)	Expiry Date
	2,354,254	0.45	May 29, 2019
	3,025,983	0.45	June 12, 2019
	857,143	1.05	November 21, 2020
Total Warrants	**6,237,380**		

(Expressed in Canadian dollars)

SHARE CAPITAL (continued)

a) On February 5, 2019, warrant holders holding 3,223,227 of the Company's warrants expiring on May 29, 2019 and June 12, 2019, consented to and agreed with the repricing of the exercise price of their warrants from $0.45 per share to $0.355 per share. In accordance with Canadian Securities Exchange (CSE) rules, the repriced warrants are subject to an accelerated expiry date, if, for any 10 consecutive trading days the closing price of the Company's shares on the CSE exceeds $0.44375. Should this occur, the Company must issue a press release announcing the accelerated expiry of the warrants, and the term of the warrants will be reduced to 30 days commencing seven days from the end of such 10 consecutive trading day period.

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 at March 31, 2018	**6,297,380**	**$0.53**
Warrants exercised	(60,000)	0.45
Balance at December 31, 2018 and February 25, 2019	**6,237,380**	**$0.53**

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.

FINANCIAL INSTRUMENTS AND RISK (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, 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 at December 31, 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 December 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. 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 cost of $7.4 million. Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at December 31, 2018, the Company had cash and cash equivalents of $2,386,083 to settle current liabilities of $1,950,037. Subsequent to December 31, 2018 the Company closed a financing which raised gross proceeds of $4,500,000 and net proceeds, after fees and other expenses, of $4,342,500 significantly reducing the Company's liquidity risk.

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.

FINANCIAL INSTRUMENTS AND RISK (continued)

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 December 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 $44,000 to the net loss and comprehensive loss for the nine- months ended December 31, 2018. The inverse effect would result if the Canadian dollar weakened by 10% against the Euro and U.S. dollar.

At December 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.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. As at December 31, 2018, the Company did not have any liabilities that bear interest at rates fluctuating with the prime rate. The convertible security issued by the Company subsequent to December 31, 2018 will bear interest at a fixed interest rate.

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

The Company has adopted the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of April 1, 2018. The principle of IFRS 15 Revenue is that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. IFRS 15 introduces a five-step approach to revenue recognition with an entity recognizing revenues when a performance obligation is satisfied, which is when “control” of the goods have transferred to the customer. Upon evaluating the transfer of control, the Company concluded there is no material change in the timing of revenue recognized under the new standard. The point of transfer of risks and rewards for goods and services under IAS 18 compared to the transfer of control under IFRS 15 occur at the same time based on contractual terms. 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.

CHANGES IN ACCOUNTING POLICIES (continued)

(b) New standards not yet adopted

The following new standards and amendments to existing standards will be effective in future periods and 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 nine-month period ended December 31, 2018:

- On January 9, 2019 Jodi Watson was appointed Vice-Chair of the Board of Directors. Ms. Watson has more than 20 years of success in the retail, wholesale, digital, and direct-to-consumer industries. She most recently served as senior vice president of Petco, one of the largest pet retailers in the United States, where she was responsible for the growth of its direct-to-consumer businesses. She also served as interim chief marketing officer, leading the creative, media, and marketing for more than 1,400 stores in the U.S. and online.

- On February 21, 2019 the Company closed a financing which raised gross proceeds of $4,500,000 and net proceeds, after fees and other expenses, of $4,342,500 (the "Investment") with Lind Asset Management, LLC, a New York-based institutional fund manager (the "Investor"). The Investment will have a term of 24 months and is repayable at any-time by the Company, subject to the Investor having the right to convert 25% of the amount outstanding into common shares. The security has a $5,400,000 face value and is comprised of a principal amount of $4,500,000 and a pre-paid interest amount of $900,000. The pre-paid interest amount will be reduced by $450,000 if the Investment is paid back within twelve months.

- On February 5, 2019, warrant holders holding 3,223,227 of the Company's warrants expiring on May 29, 2019 and June 12, 2019, consented to and agreed with the repricing of the exercise price of their warrants from $0.45 per share to $0.355 per share. The repriced warrants are subject to an accelerated expiry date in accordance with Canadian Securities Exchange (CSE) rules.

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of February 25, 2019.

ADDITIONAL INFORMATION

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