TRUE LEAF BRANDS INC.
(The “Company”, “True Leaf”, “we”, “us”, “our”)
August 30 2021

MANAGEMENT DISCUSSION & ANALYSIS

This Management’s Discussion & Analysis (this “MD&A”) has been prepared by management and should be read in conjunction with the annual consolidated financial statements of the Company together with the related notes thereto for the three months ended June 30, 2021. The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board* (“IASB”) (“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 annual consolidated financial statements of the Company together with the related notes thereto for the three months ended June 30, 2021 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.

CORPORATE BACKGROUND

True Leaf Brands Inc. (formerly True Leaf Medicine International Ltd.) (the "Company" or "TLB") 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. ("TLI"), True Leaf Cannabis Inc. ("TLC"), True Leaf Pet Inc. ("TLP"), True Leaf Pet Europe LLC Sàrl ("TLPE"), Lind Asset Management XV-II LLC("Lind Sub"), 1279166 B.C. Ltd("Amalco") and True Leaf USA (TL USA")

On May 21, 2019 the Company changed the name of True Leaf Medicine International Ltd. to True Leaf Brands Inc., and changed the name of its subsidiary, True Leaf Medicine Inc., to True Leaf Cannabis Inc. The legal and organizational structure was not altered as part of these name changes.

In December 2020 through a series of transactions described below under Refinancing Agreement the Company acquired 100% of the outstanding shares of Lind Asset Management XV-II LLC through the acquisition of its parent company and the subsequent amalgamation of the parent company with a newly formed subsidiary of TLB, Amalco.

The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the symbol "MJ", the OTC Market Group's OTCQX International Market under the ticker symbol "TRLFF" and the Frankfurt Stock Exchange under the symbol "TLA". The Company's head office and registered office is located at 1066 West Hastings Street, Suite 2600, Vancouver BC, V6E 3X1.

The Company has received approval to become a licensed producer of medicinal cannabis for the Canadian market under the new Cannabis Act and has secured three licenses from Health Canada to cultivate, process and sell medical cannabis.

OUR BUSINESS

Founded in 2013, True Leaf had two main operating divisions: True Leaf Pet Inc. and True Leaf Cannabis Inc. The True Leaf Pet division was incorporated with the goal to build a brand, sell products and generate revenue in the global pet product marketplace. True Leaf Cannabis was created to become a 'Licensed Producer' of legal cannabis under Canada's *Cannabis Act;* it submitted its application in April 2014 and received approval for cultivation, processing and medical sales in November 2019.

True Leaf Cannabis Inc was incorporated in July 2013 to become a licensed producer of medicinal cannabis for the Canadian market under Canada's *Marihuana for Medical Purposes Regulations ("MMPR")* program administered by Health Canada. The program changed to become the *Access to Cannabis for Medical Purposes Regulations ("ACMPR")* in August 2016 and once again in October of 2018 to become the *Cannabis Act*, 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 was moved to the Cannabis Tracking and Licensing System ("CTLS") under the Cannabis Act. On November 22, 2019, the Company, through True Leaf Cannabis ("TLC"), became a Licensed Producer of medicinal cannabis for the Canadian market under the new Cannabis Act and secured three licenses from Health Canada, to cultivate, process, and sell medical cannabis.

The Company started construction of its 19,500 square foot cannabis cultivation and processing facility in Lumby BC in 2018 and substantially completed it in 2019, investing $3,380,387 in land and $7,846,122 in construction and equipment acquisitions. The Company was positioned to launch its licensed cannabis operations when cash constraints halted business development and the Company began a restructuring process.

SUMMARY OF SIGNIFICANT EVENTS

April 2021

- Received CRA license and started grow operations in main floor grow rooms
- Signed a new agreement with marketing and sales agency, Velvet Management to represent the company to Provincial cannabis marketing boards, retailers and multi-store chains nationwide
- Commenced the build-out of a 100 light upper floor grow area with 600kg annual flower capacity at the Lumby facility.
- Received preliminary approval for subdivision plan on 40 acre Lumby site

May 2021

- Launched crowdfunding and private placement campaign for gross proceeds of up to $10,000,000

June 2021

- Signed non-binding Memorandum of Understanding with Cold Plasma Group Inc. for exclusive rights to an organic cannabis anti-microbial technology in Western Canada and the option to negotiate a joint venture agreement on or before July 31, 2021.
- Issued 875,000 stock options at a price of $0.38, 50% of the stock options to each optionee vest immediately and 50% of the remainder three months and six months thereafter from the grant date.

July 2021

- Completed first harvest of cannabis at True Leaf's Lumby Campus
- Issued 91,346 common shares at a price of $0.26 in consideration of work done by a consultant

August 2021

- Announces management cease trade order due to delay in filing of March 31.2021 financial year end.
- Submitted sales amendment to license to Health Canada

CORPORATE DEVELOPMENTS

In March 2020, the True Leaf Group of Companies received a notice of default from its principal creditor, Lind in respect of secured debt owed to Lind in the face amount of $5,940,000. (the "Lind Debt"). Shortly thereafter, TLB, TLI, TLC and TLP commenced restructuring proceedings and sought creditor protection by each filing a Notice of Intention to make a proposal (the "NOI Proceedings") under the Bankruptcy and Insolvency Act (Canada) (the "BIA").

The NOI Proceedings commenced in April 2020. The assets or shares of TLC and TLP were marketed through a sales process overseen by the Company's Trustee FTI Consulting ("FTI"). On August 14, 2020, an agreement for the sale of substantially all of TLP's assets including the shares of TLPE was signed with 4033001 and its parent company, Hemp Technology Inc., both Wyoming Corporations. Gross proceeds of $300,000 less working capital adjustments was applied against the outstanding Lind debt.

Between late September and early October 2020, each of TLC, TLI and TLB filed a proposal to their respective creditors with the Office of Superintendent in Bankruptcy. The terms of these proposals (the "BIA Proposals") were based upon an agreement dated September 11, 2020 (the "Refinancing Agreement") among Lind, the Australian Special Opportunity Fund, LP ("ASOF"), Canguard Mortgage Investment Corporation ("Canguard"), 1263815 BC Ltd. ("Second Mortgage Co" and, together with Canguard, the "Canguard Entities") and two newly-incorporated British Columbia companies ("Acquire Co #1" and "Acquire Co #2") owned by a group of new investors (the "New Investor Group"). The terms of the Refinancing Agreement and a proposed share capital reorganization of TLB (the "TLB Share Capital Reorganization") are summarized below.

CORPORATE DEVELOPMENTS (Continued)

Refinancing Agreement

The material terms of the Refinancing Agreement transaction were as follows:
• First Mortgage from Canguard Mortgage Investment Company of $3,000,000 to TLC (the "Canguard Loan") secured by a first position on the Lumby Property and a first priority security interest in all of TLC's present and after-acquired personal property.
• Second Mortgage from 1263815 B.C. Ltd. of $1,700,000 to TLC (the "Second Mortgage Co Loan") secured by a second mortgage on the Lumby Property and a second priority security interest in all of TLC's present and after-acquired personal property.
• TLC used all of the proceeds of the Canguard Loan and $1,150,000 of the proceeds of the Second Mortgage Co Loan, being an aggregate of $4,150,000, to pay down the Lind Debt and accrued interest of $6,475,425 plus DIP financing and accrued interest of $730,015.
• Acquire Co #1 purchased:
 o from TLI, all of the issued and outstanding shares of TLC; and
 o from TLB all of the issued and outstanding shares of TLI

in each case, for a purchase price of $1. Simultaneously, TLI exercised an option to re-purchase from Acquire Co #1 all of the issued and outstanding shares of TLC for $1.
• Acquire Co #2 purchased from ASOF all of the issued and outstanding shares of Lind for a purchase price of $1.

TLB Share Capital Reorganization

The following steps were executed on the closing December 11, 2020:

• TLB, by way of a consent resolution of the directors of TLB, effected the Consolidation, which consisted of an alteration of its articles of incorporation in accordance with the BCBCA to consolidate its issued and unissued share capital on the basis of nine old TLB shares for one new TLB share;
• in order to implement the Vend-in, a newly-created single purpose subsidiary of TLB amalgamated with Acquire Co. #1 and Acquire Co. #2 to form a new company ("Amalco") in what is referred to as a three-cornered amalgamation in which:
 o the former shareholders of Acquire Co. #1 and Acquire Co. #2 received shares of TLB and thereby become shareholders of TLB;
 o TLB received all of the issued and outstanding shares of Amalco;

As a result, the former shareholders of Acquire Co. #1 and Acquire Co. #2 (ie. the New Investor Group) become, collectively, the majority shareholders of TLB and the corporate structure of the True Leaf group of companies, as it existed prior to November 16, 2020 was restored.

STRATEGIC OUTLOOK

The initial Lumby True Leaf Cannabis 'hub' is now completed, licenses for medical sales, cultivation and processing have been secured and the business plan and excise stamp bond have been submitted to the CRA.

The Company successfully exited the BIA process with a stronger balance sheet. This included the removal of the Lind Debt and DIP loan totalling $7,031,608 which was replaced by a first and second mortgage totalling $4,700,000. The Company also shed over one million dollars of liabilities associated with the Pet companies (TLP & TLPE) and reduced TLB's trade payables by 90% as part of the process. The management has positioned the company to build its cannabis business with a recent capital raise and looks forward to revenue generation in the current calendar year.

STRATEGIC OUTLOOK (Continued)

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

1) Continue to reach out and build key relationships within the craft cannabis community throughout BC and the rest of Canada.
2) Submit subsequent 'two-batch amendments' for products produced and/or purchased to register and sell products under the cultivation, processing and medical sales licenses.
3) Market and sell industrial lots from the Company's 40-acre site (starting with phase one and subject to individual subdivision approval for each phase).
4) Reach out, build relationships and secure contracts with 'Micro-cultivator' suppliers.
5) Continue to create content and build awareness for the company and its service model by engaging with local stakeholders, the capital markets and the online community.
6) Execute the Company's long-range plan to build shareholder value and leverage the Company's cannabis license by generating revenue in these verticals:
    a. Buying, processing, packaging, and re-selling high quality craft cannabis across Canada nationwide into retail cannabis stores and direct to consumer via medical online sales
    b. Cultivation of high-quality craft cannabis in the Company's existing facility and potential new wing.
    c. Providing on-site anti-microbial services to craft cannabis producers utilizing cold-plasma technology under the Company's revenue sharing agreement with the Cold Plasma Group.
7) Implement additional higher speed packaging equipment as volume dictates
8) Complete an EU-GMP audit and receive third party EU-GMP accreditation to facilitate export of cannabis to approved countries
9) Assess and explore international leads and possible sales contracts for cannabis products sold and exported under the Company's license.
10) Secure financing and commence construction of the phase II processing and cultivation wing at the Lumby Cannabis Campus.

DISCONTINUED OPERATIONS, IMPAIRMENT & DISPOSALS

On August 11, 2020, a sale agreement for substantially all of the assets of TLP for the sum of $300,000 was entered into with 4033001 and its parent company, Hemp Technology Inc., both Wyoming Corporations.
On September 11, 2020 the sale of TLP assets, including the shares of TLPE was completed and all held for sale assets were sold for $300,000 less working capital adjustments of $61,216. There were no liabilities directly associated with the assets held for sale as at March 31, 2020. A gain of $351,426 was realized on the sale.

After the stay of proceeding expired October 2, 2020 for TLP it was considered bankrupt and a gain of $2,419,787 was recognized in income upon the extinguishment of the debts of that company.

On September 11, 2020, a Binding Term Sheet was entered into to refinance TLB, TLC and TLI, and buy the debt held by Lind Asset Management. This triggered an impairment test as of March 31, 2020 of the assets of TLC. The value of the sale and loan agreement is $4,700,000.

(Expressed in Canadian dollars)

SUMMARY OF QUARTERLY RESULTS

The following tables present selected financial information for the most recent eight quarters for discontinued operations:

Description	Three Months Ended			
	30-Jun-21 $	31-Mar-21 $	31-Dec-20 $	30-Sep-20 $
Revenues	-	-	-	726,246
Total operating expenditures	-	-	-	(975,403)
Loss and comprehensive loss for period	-	-	-	(746,451)
Basic and diluted loss per share *	-	-	-	(0.01)

Description	Three Months Ended			
	30-Jun-20 $	31-Mar-20 $	31-Dec-19 $	30-Sep-19 $
Revenues	318,313	688,385	483,728	704,538
Total operating expenditures	(668,867)	(1,047,162)	(717,419)	(890,712)
Loss and comprehensive loss for period	(433,403)	(1,335,429)	(499,871)	(560,788)
Basic and diluted loss per share *	(0.04)	(0.12)	(0.04)	(0.05)

* Certain comparative figures were reclassified in the consolidated financial statements for the three months ended June 30, 2020, March 31, 2020 December 30, 2019 and September 30, 2019 and the quarterly figures above reflect those reclassifications to discontinued operations. Per share calculations have been restated to account for the 9 to 1 consolidation completed on December 11, 2020.

All of the Company's revenues from inception to March 31, 2021 were 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. The Company continued to experience net losses as a result of its investment in selling and marketing costs to expand its store count presence and product line with these pet specialty stores in the areas served. On August 11, 2020, an agreement for the sale of substantially all of TLP's assets including the shares of TLPE was signed with 4033001, and its parent company Hemp Technology Inc. On September 11, 2020 the Company closed on the sale agreement and all assets of TLP including the shares of TLPE were sold for the sum of $300,000 less working capital adjustments, all proceeds were applied to the Lind Debt.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

For the three months ended June 30, 2021, the Company incurred a loss of $611,498 and has a deficit of $37,501,698. The Company earned revenues of $Nil (2020 - $318,313) from TLP and TLPE, however, these two subsidiaries had not yet achieved profitability. The Company presented losses from discontinued operations related to TLP and TLPE separately in its financial statements. The company began generating revenue in the three months ended June 30, 2021 with the completion of two batches of cannabis in its Lumby Campus.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

The working capital analysis has been completed including current assets. As of June 30, 2021, the Company had an ending cash position of $193,584. As of March 31, 2021, the Company had an ending cash position of $480,833. Working capital (current assets, less current liabilities) for the three months ended June 30, 2021 was ($4,855,349) versus the year ended March 31, 2021 of ($4,155,582). The Company has used working capital to fund the refinancing and start up costs for cannabis operations.

Accounts receivable of $74,934 (March 31, 2021 - $175,655) include trade receivables of $nil (March 31, 2021 - $nil). Receivables also include a $55,351 GST receivable (March 31, 2021 - $167,721) which has been collected subsequent to the end of the period.

As of June 30, 2021, prepaid expenses and deposits decreased from $394,353 at March 31, 2021 to $380,404, which includes prepaid insurance premiums of $12,704, prepaid construction deposits of $102,177 and renovation deposits of $211,740.

Investing activities

The Company's property, plant and equipment consist of the building in Lumby, office furniture and equipment and leasehold improvements at the Company's head office.

During the three months ended June 30, 2021 the Company capitalized $253,947 for renovation work to complete grow rooms in its two-story 19,500 square foot building in Lumby, BC, known as the True Leaf Campus. The completed building has a small cannabis grow area, rooms for packaging and storage, plus additional rooms for future laboratory and whole-plant extraction services the grow rooms are expected to be completed by the third quarter of the year. Depreciation commenced when the facility was available for its intended use in the fall of 2019.

The Company entered creditor protection under the BIA process on April 2, 2020 and began a process of restructuring and marketing its assets to settle its debts. Through the process, bids were received, and a workout plan was reached that refinanced the company through a loan and merger agreement. This triggered a review of the value of the subsidiary TLC. The arrangement attributed a net value of the company at $4,700,000. The impairment was applied to land, property, plant and equipment and intangible assets on a pro-rata basis. The sale process of the TLP assets also triggered an impairment of property, plant and equipment based on the selling price of substantially all of that company's assets at a value of $300,000 less cost to sell of $39,775 for a net value of $260,225. All impairments were recorded as of the three months ended June 30, 2020. Final adjustments bringing the total adjustment to $61,216 was agreed upon in December 2020 with the buyer.

On October 2, 2020 the Company exited the BIA process with workout plans for all companies except TLP which subsequently was bankrupt. TLPE was sold prior to exiting the BIA process.

Going Concern

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

For the three months ended June 30, 2021, the Company incurred a loss of $611,498 and has a deficit of $37,501,698. The Company earned revenues of $5,624 (2020 - $Nil) from cultivation of cannabis.

(Expressed in Canadian dollars)

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Going Concern (Continued)

The cannabis industry is young and developing. Regulations are frequently changing as Health Canada adjusts to the evolving processes and operations. This fact, along with the factors discussed in the preceding paragraphs results in a material uncertainty that casts significant doubt as to the Company's ability to continue to operate as a going concern. The recoverability of the carrying value of property, plant and equipment is dependent upon the success of the operating and financing activities and the future cannabis price. Changes in future conditions could require material write-downs of the carrying value of property, plant and equipment. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used, and such adjustments could be material. The Company has been exploring and will continue to consider all of its options to maintain and raise capital when and as needed, including selling assets and/or issuing debt and/or equity securities subject to prevailing market conditions.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue operations.

Corona Virus (COVID-19)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

COVID-19 may impact the company’s ability to start up cannabis growing, retail and medicinal on-line sales as a result of disruptions to supply chains, travel and trade restrictions and impact on local economic activity in affected regions. Such pandemics also represent a threat to maintaining a skilled workforce. There can be no assurance that the Company’s personnel will not be impacted by this pandemic.

RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the three months ended June 30, 2021 and 2020 which were recognized at the amounts that were agreed upon between the two parties:

	Three months ended June 30,	
	2021	2020
Paid or payable to the Chief Executive Officer for office space rental	$ 6,762	$ 7,500
Paid or payable to a company controlled by its Chief Executive Officer for costs associated with packaging inventory	$ -	$ 36,656

(Expressed in Canadian dollars)

RELATED PARTY TRANSACTIONS (Continued)

The Company considers its key management personnel to be its Directors, Chief Executive Officer and its Chief Financial Officer. Compensation of key management personnel is as follows:

	Three months ended June 30, 2021	2020
Director compensation (non-Executive):		
Share-based compensation	$ 26,594	$ -
	$ 26,594	$ -
Management compensation:		
Salaries and management fees	$ 66,770	$ 140,604
Share-based compensation	106,378	48,456
	$ 173,148	$ 189,060
	$ 199,742	$ 189,060

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.

The company completed a consolidation of its shares effective December 10, 2020, with a record date of December 11, 2020. Prior to the Consolidation, the Company had 102,370,431 pre-consolidation Shares issued and outstanding. Following the Consolidation, the Company had approximately 11,374,494 post-consolidation Shares issued and outstanding.

As of June 30, 2021, the total number of issued and outstanding common shares was 33,453,014 and there were no preferred shares outstanding.

The Company had the no share capital transactions during the three months ended June 30, 2021 and June 30, 2020.

Warrants

As of June 30, 2021, the following share purchase warrants are outstanding and exercisable:

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	**Weighted Average Exercise Price $**
Balance, March 31, 2020	**960,238**	**4.40**
Warrants expired	(95,238)	9.45
Balance, March 31, 2021	**865,000**	**3.84**
Balance, June 30, 2021	**865,000**	**3.84**

(Expressed in Canadian dollars)

SHARE CAPITAL (Continued)

Warrants (Continued)

As at June 30, 2021, the following share purchase warrants are outstanding:

Number of Warrants	$	Expiry Date
625,000	4.59	February 21, 2022
240,000	1.89	October 7, 2022
865,000		

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 exercise price 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, 2020		**592,778**	**5.13**
	Stock options cancelled	(403,334)	(4.80)
	Stock options granted	600,000	0.54
Balance, March 31, 2021		**789,444**	**1.80**
	Stock options granted	875,000	0.38
Balance, June 30, 2021		**1,664,444**	**1.06**

As of June 30, 2021, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Exercisable	Exercise Price $	Expiry Date
44,444	44,444	8.46	February 6, 2023
8,334	5,500	4.50	July 31, 2023
133,333	907,411	5.04	March 6, 2024
3,333	3,333	2.61	July 25, 2024
600,000	450,000	0.54	March 8, 2026
875,000	437,500	0.38	June 16, 2026
1,664,444	**1,848,188**		

SHARE CAPITAL (continued)

Stock Options (Continued)

During the three months ended June 30, 2021, the Company recorded share-based compensation of $132,972 (2020: $48,456) relating to the stock options. Share-based compensation is measured at fair value at the date of grant and are expensed over the vesting period. In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted at grant date by applying the following assumptions for options granted during the three months ended June 30, 2021 and 2020:

		2021		2020
Exercise price	$	0.38	$	n/a
Market price	$	0.37	$	n/a
Risk-free interest rate		0.87%		n/a%
Expected life (years) of options		5		n/a
Volatility		112.78%		n/a%

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:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly;
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 receivables. accounts payable, accrued liabilities and mortgages payable approximates their fair value because of the short-term nature of these instruments. The fair values of cash and cash equivalents and short-term investments are measured based on level 1 inputs of the fair value hierarchy.

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, 2021:

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, 2021, the Company's exposure to credit risk consists of the carrying value of cash and cash equivalents in US Dollars. The Company limits its credit exposure on cash by holding its deposits with established financial institutions.

FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (Continued)

Liquidity risk

Liquidity risk arises from our general and capital financing needs with respect to future growth. Liquidity risk could arise if the Company encounters difficulty in meeting future obligations with financial liabilities. As at June 30, 2021, the Company has cash and cash equivalents of $193,584 (March 31, 2021 - $480,833) to settle current liabilities of $5,514,535 (March 31, 2021- $5,206,423).

Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company was 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 was 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. With the sale of TLP assets and shares of TLPE the company's currency risk is negligible.

At June 30, 2021, 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 has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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, 2021, 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, cash, the convertible note payable, 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 period ended June 30, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Subsequent to the three months ended June 30, 2021:

a) On July 7, 2021 the Company completed its first harvest of cannabis plants.

b) On July 27, 2021 TLB issued 91,346 common shares at $0.26 to consultants in exchange for work in operations.

c) On August 3rd, 2021, the company announced a management cease trade order, due to a delay in the preparation and filing of the Company's annual audited financial statements for the financial year ended March 31, 2021

d) On August 12, 2021 the Company completed its first packaging run and submitted its two batch amendment to its sales license..

APPROVAL

The Company's Board of Directors has approved the disclosures in this MD&A as of August 30, 2021.

ADDITIONAL INFORMATION

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