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WeedMD Inc.

Form 51 – 102 F1

Management Discussion & Analysis

Third Quarter Ended September 30, 2018

Effective Date – November 29, 2018

The following Management Discussion & Analysis ("MD&A") of WeedMD Inc.'s (the "Company" or "WeedMD") financial condition and results of operations, prepared for the three and nine month period ended September 30, 2018, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine month period ended September 30, 2018 and the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards and are incorporated by reference herein and form an integral part of this MD&A. All dollar amounts are in Canadian Dollars unless stated otherwise. These documents can be found under the Company's profile on the SEDAR website at www.sedar.com.

Our MD&A is intended to enable readers to gain an understanding of WeedMD's current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current year to those of the preceding comparable year. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Cautions Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements, which reflect management's expectations regarding the Company's results of operations, performance, growth, and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, regulatory matters, rising energy costs and technology changes. More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Quantitative and Qualitative Disclosures of Market Risk" section of this MD&A.

About WeedMD

weedmd Inc. (TSXV: WMD) (OTCQX:WDDMF) (FSE:4WE) is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer and distributor of cannabis and cannabis oil for both the medical and adult-use markets under the Cannabis Act. The Company operates two facilities: a 26,000 sq. ft. indoor facility in Aylmer, Ontario and a large-scale state-of-the-art greenhouse facility located in Strathroy, Ontario. The greenhouse currently has 44,000 square feet of licensed space in production and is expected to have a total footprint of more than 610,000 square feet ("sq. ft.") WeedMD has a multi-channeled distribution strategy that includes supply agreements with Shoppers Drug Mart and provincial distribution agencies, as well as through strategic relationships with other licensed producers and across the seniors' market in Canada.

The condensed interim consolidated financial statements of WeedMD as at September 30, 2018 are comprised of WeedMD and its wholly-owned subsidiaries: WeedMD Rx Inc. ("WeedMD Rx"), WeedMD Rx Ltd., WMD Ventures Inc. and WeedMD Capital Corp. (collectively, "WeedMD" or the "Company"). WeedMD Rx Ltd. and WMD Ventures Inc. are currently dormant. The registered and head office of WeedMD is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

Rapid Capacity Expansion to Meet a Vast Demand

WeedMD is fully-funded for over 610,000 sq.ft. of production capacity at existing licensed facilities, with upside of an additional 2.2 million sq.ft. via cost effective outdoor cultivation. With the successful first harvest at the state-of-the-art Strathroy hybrid greenhouse expansion facility in September 2018, the Company has demonstrated one of the quickest speed to market in the industry.

	Aylmer Ontario	Strathroy Ontario		
Licensed status	Cultivate and sell flow er; produce and sell oil	Cultivate flow er	Outdoor	Cumulative Total
Facility type	Indoor	Greenhouse (hybrid, traditional)	Outdoor*	
Lot size	4 acres 174,000 sq. ft.	98 acres 4.4 million sq. ft.		4.5 million sq. ft.
Development completed	26,000 sq. ft.	44,000 sq. ft.	--	70,000 sq. ft.
Development - Q4 2018	26,000 sq. ft.	110,000 sq.ft	--	136,000 sq. ft.
Development - Q1 2019	26,000 sq. ft.	528,000 sq. ft.	--	554,000 sq. ft.
Development - potential	100,000 sq. ft.	616,000 sq. ft.	2.2 million sq. ft./ 50 acres	2.9 million sq. ft.

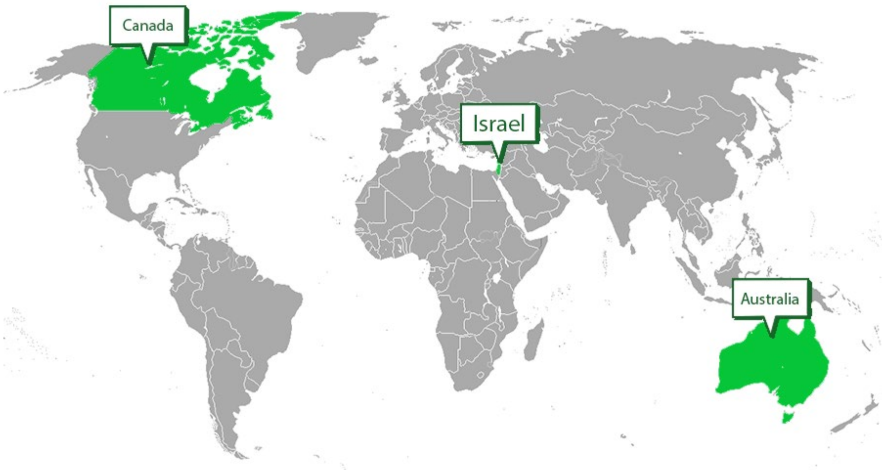
Medical Market

WeedMD is deeply committed to its medical cannabis roots. Launched as a medical cannabis company in 2013, patients will always be at the core of its value system. The company has medical doctors, nurses and PhDs on staff because WeedMD is committed to the science behind the cannabis plant and the quality of life it returns to medical cannabis patients.

WeedMD's continued support of the medicinal market and dedication to improved access has been demonstrated with offering free shipping on all orders, absorbing the increased cost of the government-imposed excise tax along with seniors and compassionate pricing.

A Growing International Footprint

In addition to Canada, WeedMD has announced partnerships and commercial activities in Australia and Israel, as described below.



Australia

In September 2018, WeedMD completed the export of cannabis genetics to Australia's Medifarm, a privately-held Queensland-based licensed producer ("LP") distinguished in Australia for being the first licensed medical cannabis producer to be authorized for therapeutic use. One of the first LPs in Australia to secure export and import licenses.

Israel

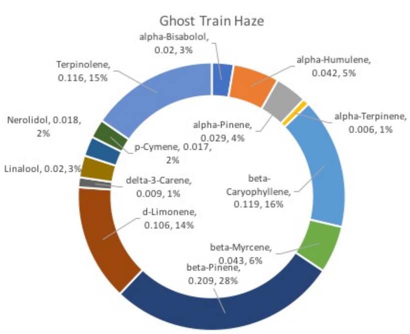
In February 2018, the Company announced the partnership with the Technion-Israel Institute of Technology (see below).

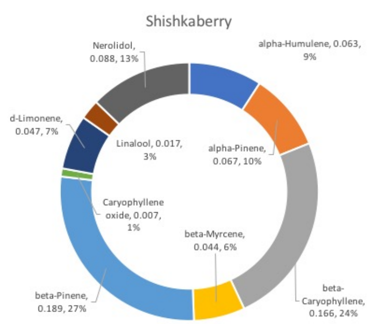
Subsequent to the quarter ending September 30, 2018, the Company successfully delivered on its second international shipment to PharmoCann, a privately-held pharma-agricultural medical cannabis producer working under the authorization of Israel's Ministry of Health and widely recognized as a pioneer in the worldwide medical cannabis industry.

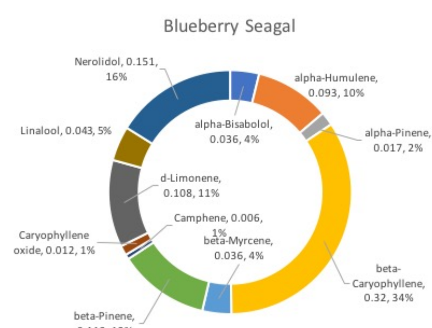
Unmatched Experience in the High Value Senior Care Market

WeedMD is the first licensed producer in Canada to enter into multiple preferred cannabis supply contracts with long-term care providers, a market representing more than 400,000 high-value potential patients. With a combined 100 years of collective senior care industry experience across the management team, WeedMD believes that the Company is uniquely situated to meet the needs of this large and growing population.

WeedMD's Leading Genetics are Seeding the Industry







WeedMD maintains a comprehensive catalogue of world-class genetics, ensuring that products are produced to the highest standards and underscoring the Company's reputation for premium, trusted, top-quality products. In addition to providing the basis for WeedMD's own cultivation activities and branded product offerings, the Company has sold starting genetics and clones (live cannabis cuttings) internationally and to more than 20% of Canadian licensed producers. The Company believes that this highly complementary, high-margin, recurring business is indicative of the Company's established role as a leader and innovator in the industry.

Key Milestones

Licensing

On November 22, 2017, WeedMD announced a definitive lease and purchase agreement with Perfect Pick Farms Ltd. for a large-scale modern greenhouse in Strathroy (see "Greenhouse Expansion").

On June 8, 2018, WeedMD secured its cultivation license for the first four of twenty grow rooms, or 30,000 square feet of cultivation space, in the Strathroy facility and successfully commenced operations with the first harvest completed in early September 2018.

On October 17, 2018, the federal government of Canada implemented Bill C-45, known as the Cannabis Act, which is legislation providing for medical use and the legalization of adult-use, or recreational cannabis, throughout the country.

On November 9, 2018, WeedMD secured its license under the Cannabis Act for both of its locations. The new licensing regime permitted the same activities as under the ACMPR regulations and additional permitting the Strathroy cultivation license to sell product in bulk to other licensed producers for distribution to the medical and adult-use markets.

Distribution

WeedMD announced the following distribution agreements during the nine months ended September 30, 2018:

Under these agreements WeedMD will supply high-quality, branded cannabis for distribution across Canada in the medical and adult-use markets. During the three months ended September 30, 2018, the Company received its first purchase orders and successfully delivered on those orders.

Continuing with above positioning, subsequent to September 30, 2018, on October 31, 2018 WeedMD announced the signing of a multi-year retail sales distribution agreement with Lifford Cannabis Solution to represent WeedMD's premium brands and products for the adult use retail market in British Columbia and Alberta.

WeedMD is positioned well to capitalize on the adult-use market, with key hires being made in Sales and Marketing functions focused on recreational use channels. With the expansion of the cannabis category, WeedMD will build a robust portfolio of cannabis and cannabis-based products to meet the needs of Canadian recreational consumers. These products will be offered in provincial crown-corporation retail channels, including brick and mortar locations, as well as e-commerce. In addition, WeedMD will continue to build relationships with private retailers across Canada, with a focus on consistent supply of high-quality products.

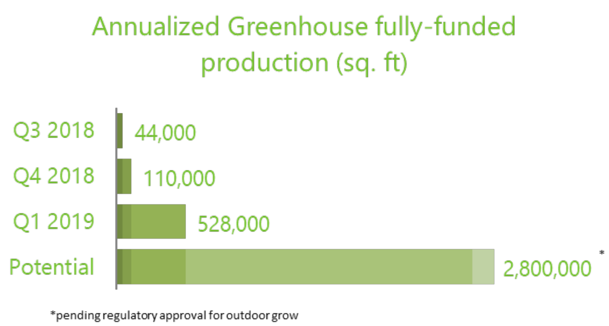
The WeedMD Team

During the nine months ended September 30, 2018, WeedMD appointed key leadership in the areas of production, innovation, sales, marketing, communications, finance and human resources. The addition in bench-strength and top-talent to the WeedMD team will enable the Company to capture market opportunities while diversify innovative product lines; introduce new brands in the recreational market; and securing its position in the medical cannabis space.

WeedMD's team also includes industry and health professionals with significant experience and expertise in seniors' care, including long-term care ("LTC") and assisted living. The Company has developed a program which will provide access to medical cannabis within senior's homes through stakeholder education and training, prescription, delivery, tracking and research. Critically, this program has been created to fit within the existing standard operating procedures, policies and protocols of LTC, which, like medical cannabis, is a highly-regulated industry. To date, the company has signed agreements with peopleCare Communities, Arbour Heights, the Belmont Long Term Care Facility, and Jarlette Health Services, representing more than 3,000 beds.

Operational Highlights

Greenhouse Expansion



On November 21, 2017, WeedMD entered into a definitive lease and purchase option agreement with Perfect Pick Farms Ltd. ("Perfect Pick"), a large-scale modern greenhouse cultivator located in Strathroy, Ontario. Perfect Pick's 98-acre property includes 616,000 sq. ft. or 14 acres of state-of-the-art greenhouse facilities that are ready for rapid retrofit for cannabis cultivation. WeedMD currently leases 528,000 sq. ft. or 12 acres of greenhouse, with an option to expand into the remaining 88,000 sq. ft. or 2 acres of greenhouse space at its discretion. The agreement also includes an option to purchase the property, greenhouse facilities and infrastructure ("Purchase Option").

This transformational expansion fully funded with the Company's current treasury and once fully retrofitted, the 14-acre facility will increase WeedMD's annual capacity to 642,000 sq ft between both facilities.

Initial crops were successfully moved to the Strathroy facility in late June 2018 with initial harvest completed in September of 2018. The next 220,000 sq. ft. retrofit is scheduled for completion this fall, with plans to progressively bring a total of 20 grow rooms online. In addition to the hybrid greenhouse, WeedMD is retrofitting the remaining 215,000 sq. ft. greenhouse for traditional grow operations, bringing total square footage to 616,000 sq. ft, and total annual production capacity to more than 50,000 kg.

Highlights of WeedMD's Large-Scale Greenhouse Expansion:

- Strategic partnership with established Ontario greenhouse management and cultivation team, bringing 40 years of cultivation expertise and experience to WeedMD and an ability to rapidly scale production.
- The facility is located in Strathroy, 30 km west of London, Ontario, and 60 km from WeedMD's existing licensed facility in Aylmer, Ontario. Health Canada has provided approvals to proceed with the expansion, which will become a second-site license for WeedMD.
- Retrofit costs are amongst the lowest in the industry, given the favourable condition of the existing greenhouse facilities and supporting infrastructure.
- WeedMD has exercised the option to expand into a total of 12 acres or 528,000 sq. ft. of existing greenhouse at its discretion.
- WeedMD has the option to acquire 100% interest in Perfect Pick's property, consisting of up to 98 acres of land, infrastructure and cultivation equipment. The combination of a lease with an option to purchase is a compelling and capital efficient expansion strategy.

Purchase Option of Strathroy Facility

- Down payment on Purchase Option: WeedMD has issued 3,000,000 shares from treasury at a price of $1.56 per share, with the shares subject to four-month regulatory hold in addition to a 36-month lock-up and leak-out agreement with monthly releases. The Company has also issued 3,000,000 share purchase warrants, with each warrant exercisable into a common share of WeedMD at an exercise price $1.56 per share for a period of five years.
- Purchase Option: WeedMD has the option to acquire a 100% interest in the property for the balance of $22.6 million in cash payments, comprised of (i) $15.6 million upon exercise of the option, and (ii) $7.0 million upon the satisfaction of certain performance-related milestones. This option has a five-year term and the Company has already commenced discussions with various lenders, who are interested in providing debt financing secured against the property on commercially reasonable terms once the Purchase Option is exercised.

Purchase of Aylmer Facility

On January 4, 2018, the Company exercised the option that existed in its lease to purchase the Aylmer Facility. The purchase price was $1,500,000 and the purchase closed on March 5, 2018.

Technion Partnership

On February 14, 2018, the Company announced that it had entered into a partnership with the Technion-Israel Institute of Technology ("Technion"). Together, WeedMD and Technion will be collaborating in the research of cannabinoid and terpenoid profiles of 25 of WeedMD's cannabis strains. This data will be added to an international database that correlates pharmacological effects used to determine the most effective cannabis treatments – strains, dose, and route of administration – for clinical purposes. This is just the first of multiple research and development initiatives WeedMD is embarking on, and plans to announce, as the Company further develops its medical cannabis and adult -use offering for both the domestic and global cannabis markets.

Dealer's License

On March 1, 2018, the Company announced that it had applied for a dealer's license under the Controlled Drugs and Substances Act ("CDSA"). The application will be transferred under the Cannabis Act and regulations, which when secured, the dealer's license will enable the Company to conduct R&D as well as store and export cannabis derivatives.

Seniors Care Program Development

WeedMD has developed a comprehensive and proprietary program that provides education, administration and the standard operating procedures required to properly service the medical cannabis needs of the elderly. The program has been validated through the Company's first agreements with LTC facilities, including peopleCare Communities, Arbour Heights, the Belmont Long Term Care Facility, and Jarlette Health Services. Currently, the seniors care division at WeedMD is ramping up to further facilitate the expansion and adoption of our program.

With a demographic that is growing at four times the rate of the broader population, the Company views the LTC, assisted living and seniors' market as an attractive medical market. Seniors carry a large pharmaceutical burden and a sizeable portion of the population is living in, or seeking, assisted living facilities. WeedMD forecasts that patients in this segment can generate upwards of three times the lifetime value (LTV) of a typical patient under the Cannabis Act (previously ACMPR), generated by higher, more consistent consumption and a more operationally efficient patient acquisition and distribution model.

Production Progress

During the quarter the Company continued to successfully calibrate its operations, resulting in steadily increased production with an increase in operating costs as the Strathroy facility commenced operations. In late June 2018 the first plants were successfully transferred into the Strathroy facility with the initial harvest in September of 2018.

Strain Development

WeedMD owns an extensive library of genetic strains of cannabis. These are currently represented in seed form, in profiling and development stage as well as in commercial cultivation. New strains continue to be developed and many have been made commercially available.

Sales of Dried Cannabis and Live Cannabis Plants to Patients

On May 31, 2017, WeedMD officially started registering patients and commenced sales of dried cannabis. Currently, the Company has a range of different dried cannabis products available for sale, encompassing a wide spectrum of cannabinoid and terpenoid profiles. WeedMD offers its patients both compassionate pricing and a senior's discount. In June 2017, WeedMD began selling live cannabis plants to patients who are registered with Health Canada under ACMPR, now the Cannabis Act, to grow their own plants. The Company has developed a proprietary system for safe and secure shipment and is now making successful deliveries to patients who are able to grow their own plants for medical purposes, making the Company well positioned for supplying plants to the adult-use cannabis market.

Sales to Licensed Producers

WeedMD has selected several strains of cannabis which it offers for sale to other LP's. These sales are made under a "Genetic Supply Agreement" that allows the recipient of these strains to produce dried product from them for sale, but not to sell the genetics themselves. The agreements also provide for a mutual insurance policy whereby both parties have agreed to make the particular strain available to each other should this become necessary.

Industry Trends

The Canadian Medical Cannabis Market

In 2001, Canada implemented the Medical Marihuana Access Regulations ("MMAR"), a government-run program that provided for access to medical cannabis. To replace the government supply and home-grown medical cannabis of the MMAR with highly secure and regulated commercial operations, Health Canada replaced this regulatory framework with the Marihuana for Medical Purposes Regulations ("MMPR") in June of 2013. The MMPR allowed for the production and sale of dried cannabis flowers by commercial cultivators known as LPs. A court injunction in early 2013 preserved the MMAR for those who had been granted access prior to the injunction.

On July 8, 2015 Health Canada permitted LPs to apply for a supplemental license to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis. In response to a federal court decision made on February 24, 2016, which related to the court injunction described above, on August 24, 2016, the Government of Canada introduced the Access to Cannabis for Medical Purposes Regulations ("ACMPR") to replace the MMPR.

The ACMPR is in most respects similar to the MMPR, but, as in the MMAR, allows for patients to grow their own cannabis at home. Under the ACMPR, patients obtain a medical document from their healthcare provider and provide it to the LP with which they wish to register. Once registration is complete, the patient can then order medical cannabis, which is then shipped directly from the LP to the patient.

On April 13, 2017, the Canadian federal government introduced Bill C-45, known as the Cannabis Act, which is legislation providing for the legalization of adult-use, or recreational cannabis. Following three readings in the House of Commons, the bill was successfully approved, passing by a vote of 200-82, on November 27, 2017. Bill C-45 was then introduced in the Senate and given first reading on November 28, 2017. It was then adopted at second reading in the Senate on March 22, 2018 and was referred to the Committee Stage. The Committee's report was adopted on May 30, 2018 and Bill C-45 as amended was adopted at third reading on June 7, 2018. On June 19, 2018 a motion was adopted to inform the House of Commons that the Senate would not insist on amendments with which the House of Commons had disagreed. Bill C-45 received Royal Ascent on June 21, 2018. Bill C-45 came into force on October 17, 2018.

Regulations vary province to province, to note a few, the regulations include:

- Allowing outdoor cultivation
- Enabling a wide range of licenses to support market diversity
- Reducing the regulations around industrial hemp
- Relaxing some security requirements
- Stringent standards for packaging and labeling
- Allowing for the production and sale of new product forms such as pre-rolled cannabis, vaporization cartridges, concentrates and edibles (in 2019)

Under the federal legislation, the provinces are responsible for the distribution of cannabis. In Quebec, Prince Edward Island, New Brunswick, Nova Scotia, Yukon and the Northwest Territories the provincial liquor control groups manage the distribution and sale (physical and online) of adult-use cannabis, while Ontario, BC, Saskatchewan, Alberta, Manitoba, and Newfoundland & Labrador allow some form of private retail with their respective provincial liquor control groups overseeing distribution.

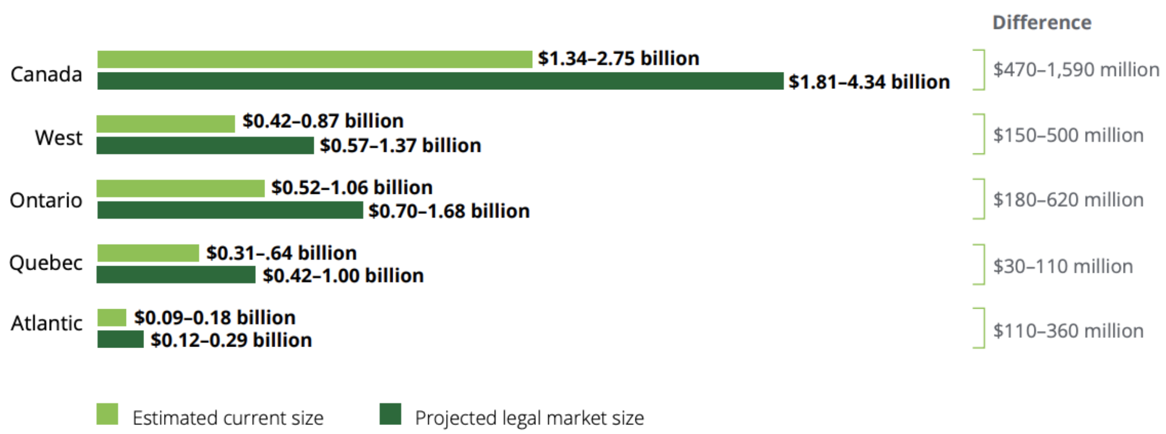
For medical use market, the Cannabis Act in most respects is similar to ACMPR.

Health Canada provides quarterly reports on the industry. In the most recent release, June 30, 2018, they reported that 330,758 patients had enrolled into the ACMPR program. This shows significant growth from December 31, 2016, at which time there were just under 130,000 patients registered in the program. By 2024, Health Canada estimates that there will be 450,000 patients using medical cannabis, with the associated market worth an estimated $1.3 billion.

Legalization of Adult-Use Cannabis

Deloitte's most recent projections for 2019 have estimated the value of the total cannabis market, including medical, illegal and legal recreational products at up to $7.17 billion, of which $4.34 billon will come from the legal recreational market.

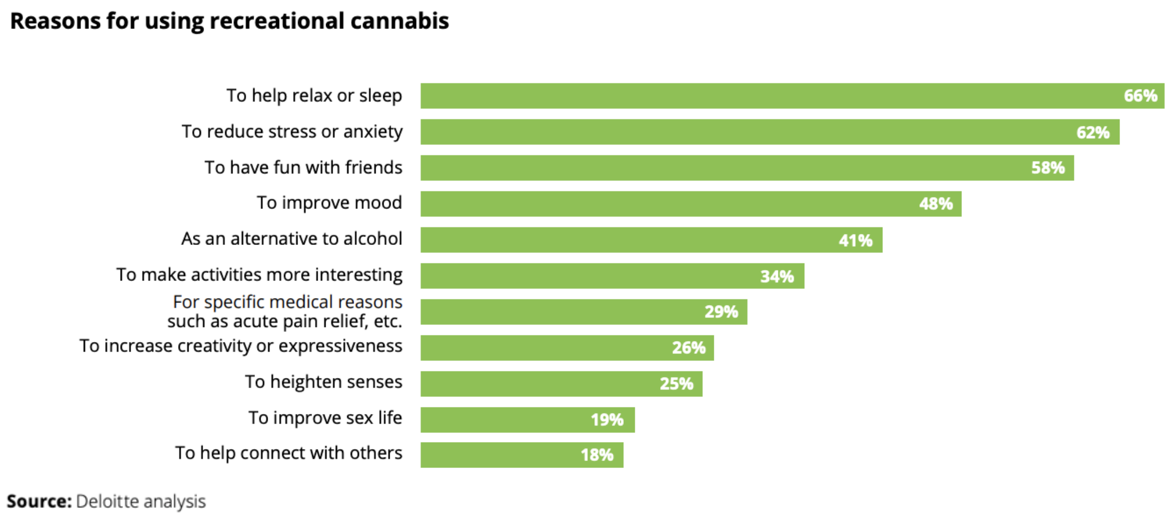
Recreational cannabis: market size



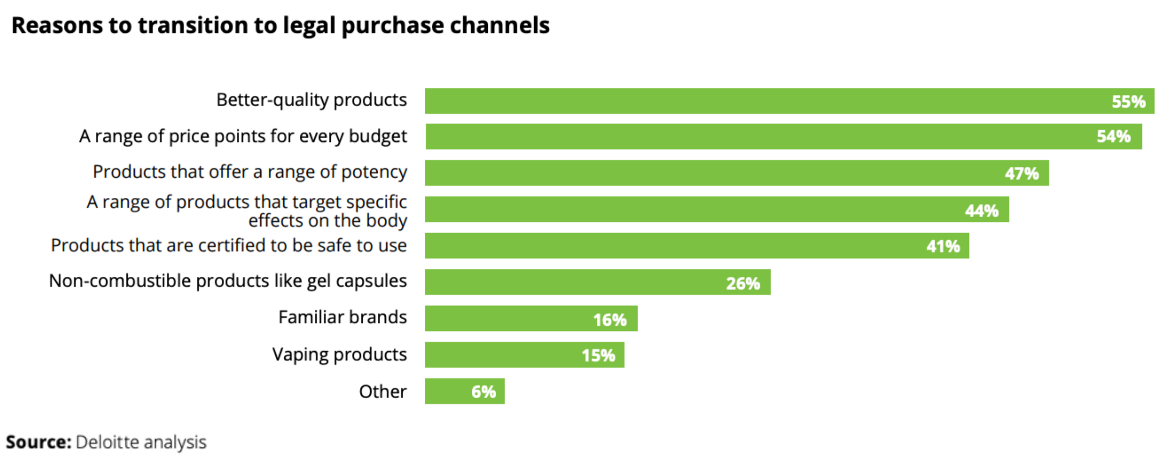
Source: Deloitte analysis

There is an anticipated gradual shift from the illegal market to the legal recreational market, with 63% of existing cannabis users across-Canada claiming that they will move their purchases to legal channels. In this same Deloitte analysis, Quebec consumers were the least likely to transition to the legal adult-use market (47%), followed by the Atlantic (55%), Ontario (65%) and the West (66%). Daily consumers of cannabis were less likely to transition to legal channels (37%), however less frequent users stated that would transition to legal retailers (69%).

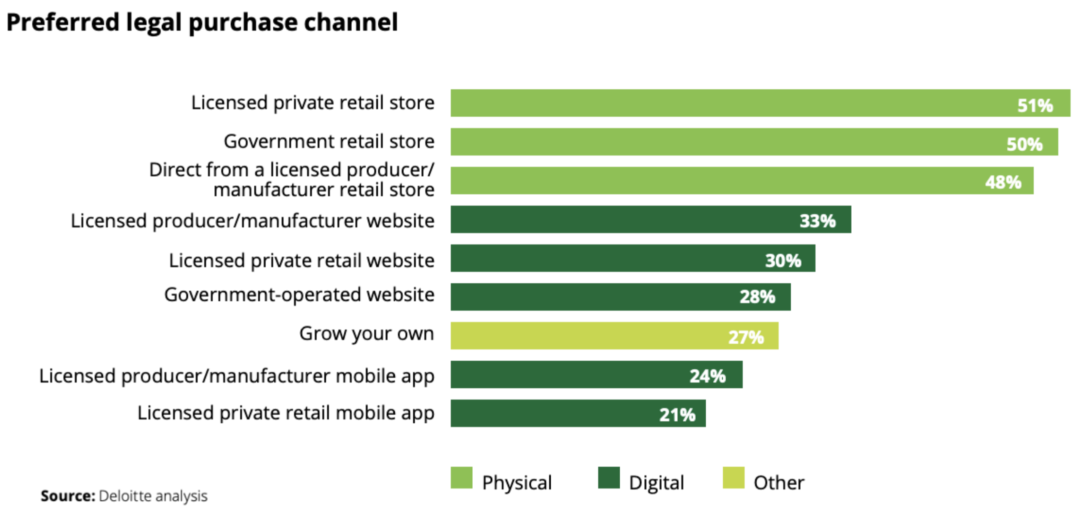
Recreational cannabis consumption usage is being driven by a number of factors, with roughly two-thirds of recreational consumers stating that they purchase Cannabis to relax, sleep, or reduce stress and anxiety. Women over-index in these categories, with 74% claiming that they use cannabis for relaxation and sleep in comparison with men at 59%. Secondly consumers are claiming they use cannabis to improve social settings (58%).



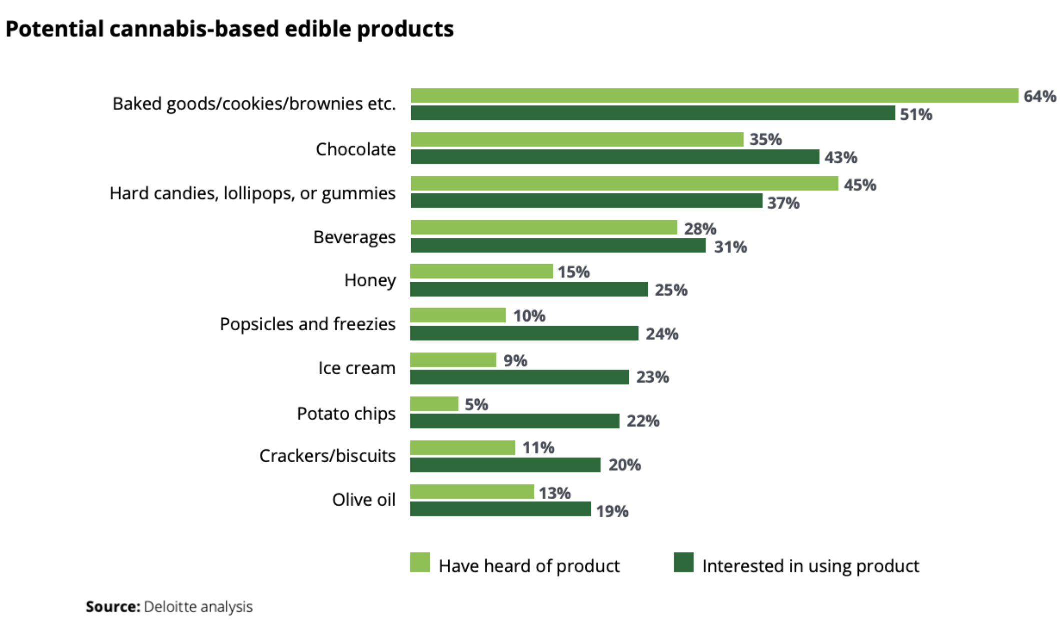
There are a variety of reasons that are driving consumer adoption of 'legal purchase channels' for consumers in Canada. The primary reason for purchase through legal channels is quality (55%), followed closely by a variety of price points (54%) and potency ranges (47%). Quality assurance is also a key theme, with 41% of consumers believing that product certification would be a key driver in their legal-market purchase decision.



Canadian consumers have reported the highest interest in physical 'brick and mortar' private retail channels, with 51% of Canadians surveyed saying that a licensed private retail store would be their preference to purchase legal cannabis. This was followed directly by government retail stores (50%), and a direct channel from licensed producers or a manufacturer-owned retail store (48%). E-commerce channels were the second choice for consumers, followed by home-grow options and mobile applications.



New products and product innovation will be a key factor for licensed producers as the Canadian cannabis landscape continues to evolve. While edible products will not be offered until 2019, it will be important for producers to be preparing for the pending edible products market. Over 50% of the Canadian cannabis users surveyed are interested in baked goods, followed closely by other confectionary items such as chocolate and hard candies. The cannabis beverage market will also be a key market, with 31% stating that they would be interested in using these products in the future.



Corporate Highlights

Convertible Debenture Financing

On November 2, 2017, the Company completed a private placement of 15,000 convertible unsecured debentures (the “Unsecured Convertible Debentures”) at a price of $1,000 per Convertible Debenture, for gross proceeds of $15,000,000 (the “Offering”). The financing was facilitated by a syndicate of underwriters led by Eight Capital and including Haywood Securities Inc. and Mackie Research Capital Corporation (together with Eight Capital, the “Underwriters”).

The Unsecured Convertible Debentures bear interest at a rate of 8.0% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The Convertible Debentures have a maturity date of November 1, 2019 (the “Maturity Date”).

The Unsecured Convertible Debentures are convertible at the option of the holder into common shares of the Company (the “Shares”) at any time prior to the Maturity Date at a conversion price of $1.20 per Share (the “Conversion Price”). At any time after March 3, 2018, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should: (1) the daily volume weighted average trading price of the Shares be greater than $2.00, for any 10 consecutive trading days, and (2) the volume traded during each weighted average price day is not less than 50,000 common shares. As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering. The Company also issued to the Underwriters 375,000 compensation warrants. Each compensation warrant is exercisable into one common share at the Conversion Price for a period of 24 months following the closing of the Offering.

As at September 30, 2018, a total face value of $12,200,000, of the Convertible Debentures have been converted to common shares, leaving a total face value of $2,800,000 in Convertible Debentures outstanding.

On October 22, 2018 the Company elected to exercise its right to force conversion of all of the outstanding principal amount of the Debentures and unpaid accrued interest for the conversion into common shares at the conversion price of $1.20. The Company became entitled to force conversion of the Debentures on September 17, 2018 on the basis that no Event of Default has occurred and is continuing and the VWAP of the Common Shares on the TSXV for 10 consecutive trading days equals or exceeds $2.00. For the 10 consecutive trading days preceding September 17, 2018, the VWAP of the Common Shares was $2.22.

Equity Financing

On January 11, 2018, the Company closed a short form prospectus offering with a total of 16,046,511 units of the Company (the "Units") sold at a price of $2.15 per Unit (the "Issue Price") for aggregate gross proceeds of $34,499,999 (the "Offering"). The Offering was completed by a syndicate of underwriters including Eight Capital as sole bookrunner and co-lead underwriter with Mackie Research Capital Corporation and including Haywood Securities Inc. (the "Underwriters").

Each Unit consists of one common share of the Company (a “Common Share”) and one-half of one Common Share purchase warrant (each whole warrant a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $2.90 until January 11, 2020. If, following the closing of the Offering, the volume weighted average price of the Common Shares on the TSX Venture Exchange is equal to or greater than $4.20 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.

As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering. As additional consideration, the Company also issued a total of 470,890 compensation options to the Underwriters. Each compensation option is exercisable into one Unit at the Issue Price until January 11, 2020.

Warrant and Stock Options Exercise

In the nine months ended September 30, 2018, the Company issued 2,489,602 common shares from the exercise of warrants and broker warrants at exercise prices in a range of $0.80 to $1.20 per share for net proceeds in total of $1,942,147.

In the nine months ended September 30, 2018, the Company issued 800,416 common shares for the exercise of stock options at exercise prices in a range of $0.60 to $0.86 per share for net proceeds of $582,635.

Subsequent to September 30, 2018 1,007,813 options were exercised into 1,007,813 common shares of the Company. Total proceeds from the exercises was $604,687.

Stock Option Grants

On January 12, 2018, the Company granted 3,013,000 stock options to its directors, officers, employees, and consultants. Each option is exercisable into one common share at an exercise price of $2.36, until January 12, 2023, and vest quarterly over 24 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 93.3%; (iii) risk-free interest rate of 2.01%; (iv) share price of $2.36; forfeiture rate of nil; and (v) expected life of 60 months. The total fair value of the options is $5,104,306 of which $1,276,076 has been recorded as share-based compensation expense in the nine months ended September 30, 2018.

On May 18, 2018, the Company granted 500,000 options to consultants. Each option is exercisable into one common share at the exercise price of $1.80, until May 18, 2023, and vest quarterly over 24 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 86.4%; (iii) risk-free interest rate of 2.07%; (iv) share price of $1.80; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The total fair value of the options is $644,418. Total share-based compensation for the nine months ended September 30, 2018 is $80,552.

On June 18, 2018, the Company granted 130,000 options to employees. Each option is exercisable into one common share at the exercise price of $1.74, until June 17, 2023, and vest quarterly over 24 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 86.4%; (iii) risk-free interest rate of 1.90%; (iv) share price of $1.74; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The total fair value of the options is $155,286. Total share-based compensation for the nine months ended September 30, 2018 is $19,411.

On September 6, 2018, the Company granted 2,105,000 options to management, employees, directors and consultants of the Company. Each option is exercisable into one common share at an exercise price of $2.07, until September 6, 2023, and vest quarterly over 24 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 87.7%; (iii) risk-free interest rate of 2.29%; (iv) share price of $2.07; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The total fair value of the options is $3,014,248. No share-based compensation has been recorded for the nine months ended September 30, 2018, as the options have not vested.

Merger Arrangement

On April 19, 2018, WeedMD and Hiku Brands Company Ltd. ("Hiku") (CSE: HIKU) announced that they had entered into a definitive agreement to merge both companies and create a vertically integrated cannabis company.

On July 10, 2018, the Company agreed with Hiku to terminate the previously announced Arrangement Agreement, dated April 19, 2018. In connection with the termination of the Arrangement Agreement, the Company received a $8.8 million termination fee, net of transaction fees of $1.2 million.

Overall Performance

In the nine months ended September 30, 2018, WeedMD continued with the registration of patients and the sale of its products and recorded revenues of $5,232,873 as compared to $592,138 in the same period of prior year. For the three months ended September 30, 2018 revenues were $2,001,369 compared to $356,479 in the same period of the prior year.

Adjusted Operating Loss

Adjusted Operating Loss is not a recognized measurement under IFRS and this data may not be comparable to data presented by other companies. Management believes Adjusted Operating Loss to be an important measure of the Company's day-to-day operations, by excluding non-cash gains and losses and/or non-recurring items. The measure is useful in assessing the results of operating and strategic decisions.

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Gain (loss)	**$ 9,904,660**	**$ (557,807)**	**$ 6,820,156**	**$ (6,510,126)**
Finance costs	142,796	-	1,099,427	1,209,050
Investment gain	(764,574)	-	(618,741)	-
Interest income	(84,509)	(8,758)	(388,740)	(31,190)
Other gains	(237,259)	-	(237,259)	-
Gain on transaction	(8,825,736)	-	(8,825,736)	-
Loss before the undernoted	$ 135,378	$ (566,565)	$ (2,150,893)	$ (5,332,266)
Realized loss on changes in fair value of biological assets included in inventory sold	428,856	(185,372)	2,108,052	(206,508)
Unrealized gain on change in fair value of biological assets	(1,931,441)	168,223	(4,062,775)	391,192
Adjusted Operating Loss	$ (1,367,207)	$ (583,714)	$ (4,105,616)	$ (5,147,582)

Adjusted operating loss for the nine months ended September 30, 2018 decreased to $4,105,616 from $5,147,582 in prior year due to an increase in sales, partially offset by increased general and administrative expenses and marketing costs associated with the expansion of operations and sales. For the three months ended September 30, 2018 adjusted operating loss increased to $1,367,207 from $583,714 due to an increase in sales.

Total comprehensive income (loss) for nine months ended September 30, 2018 was $6,820,156 as compared to ($6,510,126) for the nine months ended September 30, 2017. The comprehensive income (loss) in the nine months ended September 30, 2018 includes a net non-cash gain of $1,954,723 related to changes in fair value of biological assets ($184,684 loss in the nine months ended September 30, 2017); $1,099,427 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($1,209,050 in the nine months ended September 30, 2017). During the nine months ended September 30, 2018 the Company invested $887,259 in equity instruments ("Equity Instruments") measured at fair value, generating an unrealized gain of $618,741 (nine months ended September 30, 2017: $Nil).

Total comprehensive income (loss) for three months ended September 30, 2018 was $9,904,660 as compared to ($557,807) for the three months ended September 30, 2017. The comprehensive income (loss) in the three months ended September 30, 2018 includes a net non-cash gain of $1,502,585 related to changes in fair value of biological assets ($17,149 in the three months ended September 30, 2017); $142,796 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($Nil in the three months ended September 30, 2017). During the three months ended September 30, 2018 the Company's Equity Instruments generated an unrealized gain of $764,574 (three months ended September 30, 2017: $Nil).

General Financial Condition

As at September 30, 2018 WeedMD had working capital of $44,949,614 compared to a working capital of $25,713,807 as at December 31, 2017. The Company had cash on hand as at September 30, 2018 of $36,059,767 (December 31, 2017: $24,692,678) and relies on cash on hand and on operating cash flow from sales of cannabis products to fund its operations.

Results of Operations

	Three months ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Revenue	2,001,369	356,479	5,232,873	592,138
Net comprehensive income (loss)	9,904,660	(557,807)	6,820,156	(6,510,126)
Cash generated by (used in) operations	(1,076,709)	(1,016,408)	(4,378,034)	(3,995,235)
Income (loss) per share (basic)	0.09	(0.01)	0.07	(0.13)
Income (loss) per share (diluted)	0.09	(0.01)	0.06	(0.13)

As at	**September 30,**	**December 31,**
	2018	**2017**
	$	**$**
Total Assets	87,698,288	39,605,187
Total Liabilities	9,856,688	14,472,639
Working Capital	44,949,614	25,713,807

Revenues

WeedMD commenced sales of its medical cannabis products in May 2017 and recorded revenues of $5,232,873 in the nine months ended September 30, 2018 (nine months ended September 30, 2017: $592,138). For the three months ended September 30, 2018, recorded revenue was $2,001,369 (three months ended September 30, 2017: $356,479). Revenues consisted of the sale of dried medical and adult use cannabis, live cannabis plants and cannabis oil. Total dried product sold for the period was 414,546 grams at a weighted average selling price of $6.68 per gram (nine months ended September 30, 2017: 87,551 grams at an average selling price of $4.54 per gram). For the three months ended September 30, 2018 total dried product sold was 226,017 grams (September 30, 2017: 54,807 grams)

Cost of Sales

Included in the cost of sales are the net change in fair value of biological assets and capitalized production costs. Biological assets consist of cannabis plants at various pre-harvest or pre-distribution stages of growth. These plants are recorded at fair value less costs to sell at the point of harvest or sale. For cannabis plants that are harvested, at harvest, the biological assets are transferred to inventory at their fair value, which becomes their deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offset against the unrealized gain on biological assets. Net cost of sales for the nine months ended September 30, 2018 was ($211,892) (nine months ended September 30, 2017: $391,192), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $1,954,723 (nine months ended September 30, 2017: $184,684 loss).

Net cost of sales for the three months ended September 30, 2018 was ($788,256) (three months ended September 30, 2017: $168,223), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $1,502,585 (three months ended September 30, 2017: $17,149).

Cost of sales will vary based upon the number of pre-harvest plants, the particular strains in development and the stage of growth of the plants.

Amortization

WeedMD started depreciating most of its property, plant and equipment on July 1, 2016 except for furniture and fixtures, which were depreciated starting on January 1, 2014.

Total amortization expense incurred for the nine months ended September 30, 2018 was $330,383 (nine months ended September 30, 2017: $303,920), of which $39,970 (2017: $16,746) was recorded in the Company's amortization expense, and $290,413 was capitalized to inventory (2017 $287,174).

Total amortization expense incurred for the three months ended September 30, 2018 was $122,347 (three months ended September 30, 2017: $93,301), of which $7,588 (2017: $5,181) was recorded in the Company's amortization expense, and $114,759 was capitalized to inventory (2017 $88,120).

General and administrative expenses

The Company's general and administrative expenses consist of the following:

Rent and occupancy costs

Rent and occupancy expenses were incurred for the lease of its 25,620 sq. ft. premises in Aylmer, and office rent. On January 4, 2018 the Company exercised the option that existed in its lease to purchase the Aylmer Facility. The purchase price was $1,500,000 and the purchase closed on March 5, 2018.

In the nine months ended September 30, 2018, WeedMD incurred $731,322 in rent and occupancy costs (nine months ended September 30, 2017: $833,202), of which $82,189 (nine months ended September 30, 2017: $129,139) was recorded as rent and occupancy expenses, and $649,133 (nine months ended September 30, 2017: $704,063) was capitalized to inventory.

In the three months ended September 30, 2018, WeedMD incurred $310,227 in rent and occupancy costs (three months ended September 30, 2017: $243,900), of which $15,804 (three months ended September 30, 2017: $42,662) was recorded as rent and occupancy expenses; and $294,423 (three months ended September 30, 2017: $201,238) was capitalized to inventory.

Wages and salaries

In the nine months ended September 30, 2018 WeedMD incurred wages and salaries expenses of $3,148,369 (nine months ended September 30, 2017: $1,280,053), of which $1,606,387 (nine months ended September 30, 2017: $639,072) was recorded as expense, $1,541,982 (nine months ended September 30, 2017: $640,981) was capitalized to inventory.

In the three months ended September 30, 2018 WeedMD incurred wages and salaries expenses of $1,351,521 (three months ended September 30, 2017: $482,580), of which $378,016 (three months ended September 30, 2017: $229,205) was recorded as expense, $973,505 (three months ended September 30, 2017: $253,375) was capitalized to inventory.

The Company has employed industry experts and skilled personnel from the cannabis sector. The increase in wages and salaries expense is due to an increase in headcount required to successfully scale up production and sales. As at September 30, 2018, the Company employed 102 people, an increase of 61 from December 31, 2017, and with the growth in operations and sales, the Company expects a proportionate growth in headcount.

Office and administration

Included in Office and Administration are expenses related to marketing, mail and postage, association memberships, software maintenance, telephone, internet, website and insurance costs. In the nine months ended September 30, 2018, the Company incurred Office and Administration expense of $2,972,126 (nine months ended September 30, 2017: $716,960). In the three months ended September 30, 2018, the Company incurred Office and Administration expense of $1,200,417 (three months ended September 30, 2017: $190,651).

Share-based compensation

The Company records share-based payments with a corresponding increase to the contributed surplus account. In the nine months ended September 30, 2018, the Company granted 5,748,000 stock options to its directors, officers, employees and consultants (nine months ended September 30, 2017: 3,825,000 stock option granted). Each option is exercisable into one common share at an exercise price ranging from $1.74 to $2.36 and expiring from January 12, 2023 to September 6, 2023. For the nine months ended September 30, 2018, $1,488,900 stock-based compensation expenses were recorded upon vested options (nine months ended September 30, 2017: $947,553). For the three months ended September 30, 2018, $775,622 stock-based compensation expenses were recorded upon vested options (three months ended September 30, 2017: $48,794)

Net income (loss) for the period

The Company reported a net income and comprehensive income of $6,820,156 for the nine months ended September 30, 2018 (loss for the nine months ended September 30, 2017: $6,510,126). For the three months ended September 30, 2018 the comprehensive income was $9,904,660 (loss for the three months ended September 30, 2017: $557,807)

Liquidity and Capital Resources

As at September 30, 2018, WeedMD had cash of $36,059,767 (December 31, 2017: $24,692,678). Total current assets amounted to $52,445,318 (December 31, 2017: $28,834,775), including inventory and biological assets of $7,389,323 (December 31, 2017: $3,054,222); with current liabilities of $7,495,704 (December 31, 2017: $3,120,968), resulting in working capital of $44,949,614 (December 31, 2017: $25,713,807).

WeedMD plans to access further working capital through equity and/or debt financings, if required, to finance its growth plans.

Off-balance sheet arrangements

WeedMD has not entered into any off-balance sheet finance arrangements.

Contractual obligations

On November 22, 2017, the Company entered a lease for the Strathroy-based greenhouse expansion, for a term of 2 years for a base rent of $1.00 for the first acre with an option to lease an additional 13 acres for $180,000 per annum per acre. The Company has the option to extend the lease for an additional 10 terms of one year each. In addition, the Company has an option to purchase the 98-acre property for $27,280,000 (inclusive of the deposit). As September 30, 2018, the Company was leasing 12 acres.

Within 1 year	$	1,462,393
Within 2 years		120,351
Within 3 years		2,907
Within 4 years		-
Within 5 years		-
	$	1,585,651

Transactions with related parties

For the nine months ended September 30, 2018, the Company's key management included Keith Merker, CEO, Nichola Thompson, Interim CFO, Bruce Scully, former CEO, Dr. Luc Duchesne, former Chief Science Officer, Directors and the Secretary of the Board. Transactions with related parties include:

- Salaries and service fee;
- Loans payable without bearing interest and due at demand

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing (except promissory notes), unsecured and with no fixed repayment terms.

The balances outstanding are as follows:

	September 30, 2018	December 31, 2017
Accounts payable and accrued liabilities	**$ 43,633**	$ 77,399
	$ 43,633	$ 77,399

For the three and nine months ended September 30, 2018 and 2017, total remuneration/service fees paid, and interest paid to the key management is as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
Interest paid to related parties	**-**	-	**-**	222
Share based compensation	**381,171**	-	**741,166**	978,750
Salaries	**155,132**	98,578	**466,704**	271,861
Fees	**62,767**	40,000	**159,904**	150,000
	$ 599,070	$ 138,578	**$ 1,367,774**	$ 1,400,833

2,300,000 stock options were issued in the nine months ended September 30, 2018 (nine months ended September 30, 2017 – 1,125,000) to certain key management personnel with $741,166 recorded in share-based compensation (nine months ended September 30, 2017: $987,750).

Property, plant and equipment

Starting July 1, 2016, the Company commenced the cultivation of its product and commenced recording amortization of its assets.

Total amortization expense incurred for the nine months ended September 30, 2018 was $330,383 (nine months ended September 30, 2017: $303,920), of which $39,970 (2017: $16,746) was recorded in the Company's amortization expense, and $290,413 was capitalized to inventory (2017 $287,174).

As at September 30, 2018, building improvement additions with a carrying value of $21,565,560 (September 30, 2017: $nil), were not yet available for use. As such, the cost of the assets has been capitalized but not yet amortized.

Summary of Quarterly Results

	Q4-17	Q1-18	Q2-18	Q3-18
Revenue	$ 858,924	$ 1,142,341	2,089,163	2,001,369
Income (loss) before other income and expenses	(1,996,521)	(931,046)	(1,382,162)	(120,958)
Net comprehensive income (loss)	(3,438,170)	(1,321,497)	(1,763,007)	9,904,660
Income (loss) per Share	$ (0.05)	$ (0.01)	$ (0.02)	$ 0.09

	Q4-16	Q1-17	Q2-17	Q3-17
Revenue	$ -	$ -	$ 235,659	$ 356,479
Loss before other income and expenses	(57,581)	(49,401)	(3,145,019)	(566,565)
Net comprehensive loss	(57,581)	(49,401)	(4,759,844)	(557,807)
Loss per Share	$ (0.01)	$ (0.01)	$ (0.08)	$ (0.01)

The quarters beginning Q4-16 through Q1-17 represent the results of Aumento Capital V Corporation.

Risk Factors

It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of this MD&A include additional factors that could have an effect on the business and financial performance of the business. The markets in which the Company currently competes are very competitive and change rapidly. New risks may emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. If any of these risks actually occur, the Company's business may be harmed, and results of operations and financial condition may suffer. The risks presented below may not be all the risks that the Company may face.

Reliance on license

The operations of the Company require it to obtain licences for the transportation, distribution, production and sale of cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. Except for the processing and sales license under the Cannabis Act (previously ACMPR) with respect to the Strathroy Greenhouse, the Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

Regulatory risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in laws, regulations and guidelines

The Company's ability to achieve its business objectives is contingent upon the Company's compliance with regulatory requirements enacted by governmental authorities and the Company's obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, results of operations and financial condition. Any amendment to or replacement of existing laws may cause adverse effects to the Company's operations. The risks to the Company's business represented by subsequent regulatory changes could reduce the addressable market for its products and could materially and adversely affect its business, financial condition and results of operations.

Limited operating history

The Company has a limited operating history and, accordingly, potential investors will have a limited basis on which to evaluate its ability to achieve its business objectives. The future success of the Company is dependent on management's ability to implement its strategy. Whilst management is optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will successfully produce commercial medical and adult use cannabis. The Company faces risks frequently encountered by early-stage companies. In particular, its future growth and prospects will depend on its ability to expand its operation and gain additional revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Company's business, financial condition and results.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its executive management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Factors which may prevent realization of growth targets

The Company's growth strategy contemplates outfitting the Aylmer, Ontario facility with additional production resources as well as the current retrofitting of the Strathroy Greenhouse Expansion. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms

As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises.

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability

The Company has incurred losses in recent periods with the except of the three months September 30, 2018. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The number of licenses granted by Health Canada could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks inherent in an agricultural business

The Company's business involves the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although WeedMD grows its products indoors under climate-controlled conditions, carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

WeedMD's cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably. WeedMD is continuously looking for efficiencies in an effort to mitigate this exposure.

Transportation disruptions

Due to the perishable nature of the Company's products, the Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavourable publicity or consumer perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for WeedMD's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of WeedMD's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of WeedMD's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that WeedMD's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of WeedMD's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of WeedMD's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of WeedMD's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for WeedMD's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of WeedMD's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis and the adult use industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Cyber Security

Cyber security has become an increased risk for business operations. While the Company believes its insurance coverage addresses all material risks related to cyber attacks to which it is exposed and is adequate and customary, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed (see operating risk and insurance coverage risk above).

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

Certain directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

The market price of the Company's common shares may be subject to wide price fluctuations

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and potentially withholdings.

Limited market for securities

There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Volatile market price for the common shares

The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's annual and quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets

Financial markets may experience significant price and volume fluctuations that can affect the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares may be materially adversely affected.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property, plant and equipment are available for use as well as their useful lives, recoverability of taxes receivable, determination of functional currency, impairment of its financial and non-financial assets, and the determination of control and significant influence related to subsidiaries and investments. The most significant estimates and assumptions include those related to the requirement for and magnitude of an allowance for impairment of loans receivable, the inputs used in accounting for share-based payment transactions, and the fair value of financial instruments. Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

New Accounting Standards and Interpretations

a) New Standards Adopted in Current Year

IFRS 2 'Share-based Payment' was issued by the IASB in June 2016. These amendments provide clarification on how to account for certain types of share-based transaction. The amendments are effective for the annual period beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 9 'Financial Instruments: Classification and Measurement', introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of medicinal cannabis would be recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements. Note that as a result of IFRS 15, the disaggregated revenue has been disclosed in Note 18 of the condensed interim consolidated financial statements.

b) New Accounting Standards to be Adopted in the Future

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards which are not yet effective for the relevant reporting periods and which the Company has not early adopted.

- IFRS 16 'Leases' was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently assessing and still evaluating what impact the application of this standard will have on the condensed interim consolidated financial statements of the Company.

- IFRIC 23 'Uncertainty over income tax treatments' clarifies the application of recognition and measurement requirement in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently assessing and still evaluating what impact the application of this standard will have on the condensed interim consolidated financial statements of the Company.

Disclosure of Outstanding Share Data

As of November 29, 2018, the following is outstanding:

Common Shares:	111,270,563
Warrants:	11,255,755
Stock and Broker Compensation Options:	8,561,003

Subsequent Events

a) On October 2, 2018 the Company announced it had secured its Depository Trust Company eligibility for the Company's publicly traded securities. The Company also began trading on the OTCQX Best Market under the ticker symbol "WDDMF" in the United States.

b) On October 22, 2018 the Company elected to exercise its right to force conversion of all of the outstanding principal amount of the Debentures and unpaid accrued interest for the conversion into common shares at the conversion price of $1.20 which resulted in 2,333,333 common shares being issued. The Company became entitled to force conversion of the Debentures on September 17, 2018 on the basis that no Event of Default has occurred and is continuing and the VWAP of the Common Shares on the TSXV for 10 consecutive trading days equals or exceeds $2.00. For the 10 consecutive trading days preceding September 17, 2018, the VWAP of the Common Shares was $2.22.

c) On November 13, 2018 the Company announced that it had secured a licence from Health Canada to sell cannabis cultivated at its greenhouse facility in Strathroy, Ontario. The original licence, issued under the Access to Cannabis for Medical Purposes Regulations, was successfully migrated to a licence under the Cannabis Act and its regulations. The sales licence allows the Company to transport cannabis from its Strathroy greenhouse to its facility in Aylmer, Ontario for packaging and distribution.

d) Subsequent to September 30, 2018 1,007,813 options were exercised into 1,007,813 common shares of the Company. Total proceeds from the exercises was $604,687.