WeedMD Inc.

Form 51 – 102 F1

Management Discussion & Analysis

Year Ended December 31, 2018

Effective Date – April 30, 2019

The following Management Discussion & Analysis ("MD&A") of WeedMD Inc.'s (the "Company" or "WeedMD") financial condition and results of operations, prepared for the year ended December 31, 2018, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for years ended December 31, 2018 and 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) ("the Company") is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer ("LP") and distributor of cannabis and cannabis extracts for both the medical and adult-use markets in Canada under the Cannabis Act. The Company owns and operates two licensed facilities: a 26,000 square foot ("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 110,000 sq. ft. of licensed space in production and is expected to have a total licensed production footprint of more than 550,000 sq. ft. in the second half of 2019. WeedMD has a multi-channeled distribution strategy that includes supply and purchase agreements with Shoppers Drug Mart and provincial distribution agencies, as well as through strategic relationships with other LP's and across the seniors' market in Canada.

The consolidated financial statements of WeedMD Inc. as at December 31, 2018 are comprised of WeedMD Inc. and its wholly-owned subsidiaries: WeedMD Capital Corp and WeedMD Rx Inc. ("WeedMD Rx") along with its wholly-owned subsidiaries WeedMD Rx Ltd. and WMD Ventures Inc. (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 550,000 sq. ft. of indoor and greenhouse production capacity at existing licensed facilities, as well as an additional 100 acres of cost-effective outdoor cultivation. Having begun the retrofit of its state-of-the-art Strathroy hybrid greenhouse expansion facility in January 2018, and with the successful first harvests in early September 2018, the Company has demonstrated one of the quickest speeds to market in the industry.

Location	Aylmer, ON	Strathroy, ON	Total Footprint
Licensed Status	Cultivate and sell flower; produce and sell oil	Cultivate and sell flower	All required licensing
Facility Type	Indoor	Greenhouse & Outdoor	Multi-modal
Lot Size	4 acres	158 acres	162 acres
Licensed & Operational	26,000 sq ft	110,000 sq ft	136,000 sq ft
Cultivation Space Utilized in 2019*	26,0000 sq ft	Indoor – 550,000 sq ft Outdoor - 1.1M sq ft (27 acres)	1.7M sq ft
Development Potential*	100,000 sq ft	Indoor – 550,000 sq ft Outdoor – 4.5M sq ft (102 acres)	5.6M sq ft

*Pending regulatory approval, includes cultivation expansion for both greenhouse and outdoor grow

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 medical 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.

Unmatched Experience in the High Value Senior Care Market

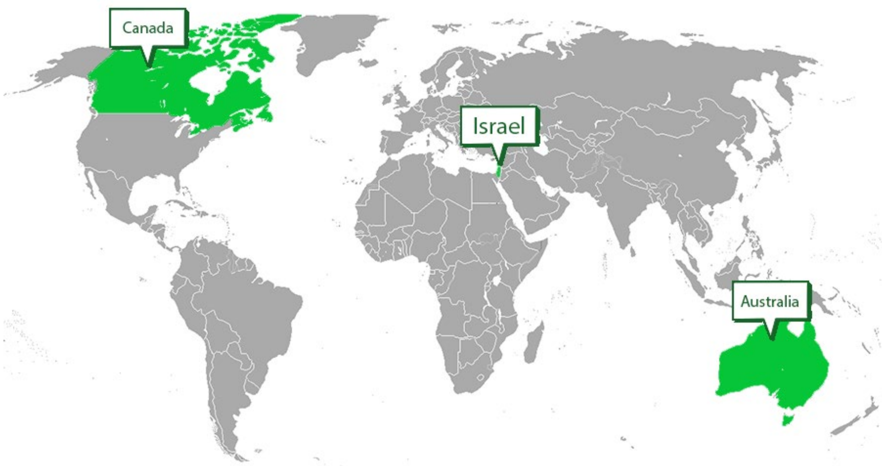
WeedMD is the first licensed producer in Canada to enter into multiple preferred cannabis supply contracts with long-term care providers, a market representing more than 400,000 high-value potential patients. With a combined 100 years of collective senior care industry experience across the management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

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 Kensington Health Centre. 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.

A Growing International Footprint

In addition to Canada, WeedMD has announced partnerships and commercial activities in Australia and Israel, with plans to selectively enter other international markets.



Australia

In September 2018, WeedMD completed the export of cannabis genetics to Australia's Medifarm, a privately-held Queensland-based 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 licences.

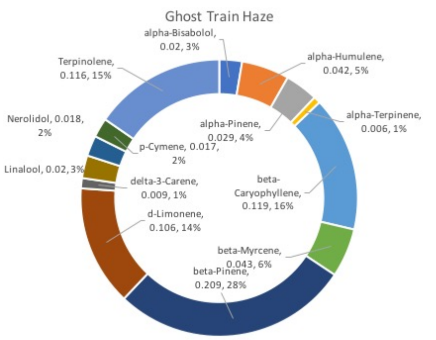
Israel

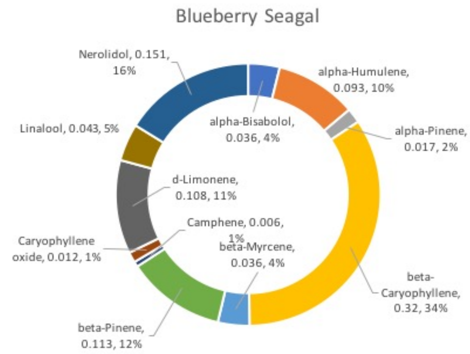
הטכניון TECHNION
מכון טכנולוגי לישראל Israel Institute of Technology

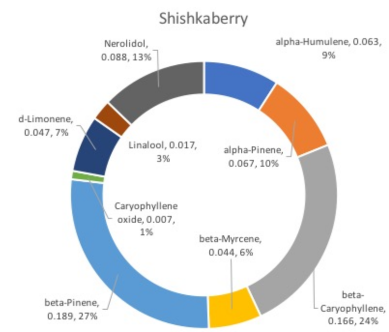
On February 14, 2018, the Company announced that it had entered into a partnership with the Technion-Israel Institute of Technology ("Technion"). Together, WeedMD and Technion will be collaborating in the research of cannabinoid and terpenoid profiles of 25 of WeedMD's cannabis strains. This data will 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.

In October 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.

WeedMD's Leading Genetics are Seeding the Industry







WeedMD maintains a comprehensive catalogue of world-class genetics, ensuring that WeedMD 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 LPs. The Company believes that this highly complementary, high-margin, recurring business is indicative of the Company's ability to create superior cannabis.

Strain Development

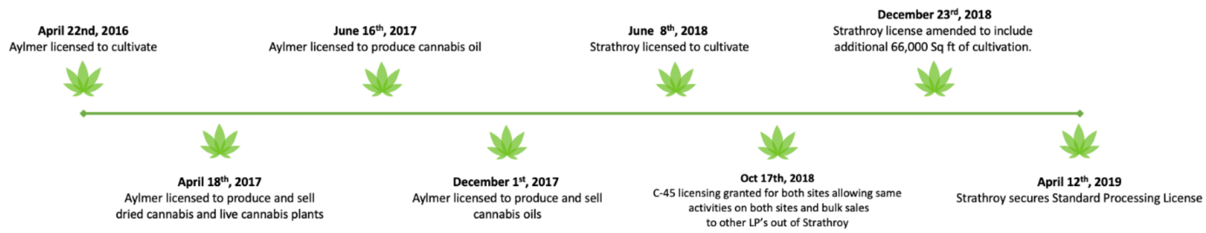
WeedMD owns an extensive library of proprietary genetic strains of cannabis. These are currently represented in seed form, in profiling and development stage as well as in commercial cultivation. New strains continue to be developed and many have been made commercially available.

During the year ended December 31, 2018, WeedMD partnered with Blockstrain Technology Corp. launching Blockstrain's proprietary genome tracking software with the collection and registration of WeedMD's cannabis plant DNA. The program allows for verification and authentication while, giving consumers confidence they are receiving their desired product. In addition, the program aims to help reduce the theft of intellectual property tied to cannabis strains and genetics.

On January 10, 2019, WeedMD announced the completion of the strain validation for forty of its strains.

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 licence for the first 44,000 sq. ft. of space at the Strathroy facility and successfully commenced operations with the first harvests 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 licence under the Cannabis Act for both of its locations. The new licensing regime permitted the same activities as under the ACMPR regulations and additionally permitted the Strathroy facility to sell product in bulk to other licensed producers for distribution to the medical and adult-use markets.

On December 23, 2018, WeedMD secured its cultivation licence for the next six grow rooms, or 66,000 sq. ft. of cultivation space, in the Strathroy facility.

Subsequent to December 31, 2018, on April 12, 2019, the Strathroy facility was granted a Standard Processing Licence.

Distribution

WeedMD announced the following distribution agreements during or subsequent to the year ended December 31, 2018:

- **Ontario Cannabis Retail Corporation:** Purchase agreement with the province of Ontario to supply cannabis for the adult use market
- **Alberta Gaming and Liquor Commission**: supply agreement with the province of Alberta to supply cannabis products for the first six months of adult-use sales
- **BC Liquor Distribution Branch**: supply agreement with the British Colombia to supply cannabis products for the first six months of adult-use
- **Nova Scotia Liquor Corporation:** purchase agreement with the province of Nova Scotia to supply cannabis for the adult use market
- **Manitoba Liquor and Lotteries Corporation:** Distribution agreement with the province of Manitoba for the adult use market
- **Saskatchewan Liquor and Gaming Authority**: Authorization to supply cannabis directly to the private retail and wholesale markets in the province of Saskatchewan

- **Shoppers Drug Mart**: One of a few select LPs to secure a supply agreement with Canada's largest retail pharmacy chain

Under these agreements WeedMD will supply high-quality, branded cannabis for distribution across Canada in the medical and adult-use markets. During the year ended December 31, 2018, the Company received its first purchase orders and successfully delivered on those orders.

Continuing with the above positioning, on October 31, 2018, WeedMD announced the signing of a multi-year retail sales distribution agreement with Lifford Cannabis Solutions 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 adult-use use channels. With the expansion of the cannabis category, WeedMD is building a robust portfolio of cannabis and cannabis-based products to meet the needs of Canadian adult-use 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.

Retail footprint

Subsequent to the year ended December 31, 2018, on January 10, 2019, WeedMD formed Pioneer Cannabis Corp ("Pioneer"), in partnership with Pita Pit Canada, a privately-owned Canadian fast casual franchise eatery with over 600 stores worldwide. The Company owns 9.9% with the option to own up to 50.1% if the regulations permit. Pioneer provides a platform for Canadians with an entrepreneurial spirit and the goal of owning and operating their own cannabis retail store. Pioneer will provide retailers with a variety of services including, but not limited to: identifying locations, providing assistance with licensing and security processes, point of sales and payment systems, marketing services, and training platforms that will include cannabis educational programs – each in accordance with the unique regulatory environment in each province and municipality. On April 17, 2019 Pioneer announced that it had signed an agreement to open the first Pioneer store in Ontario.

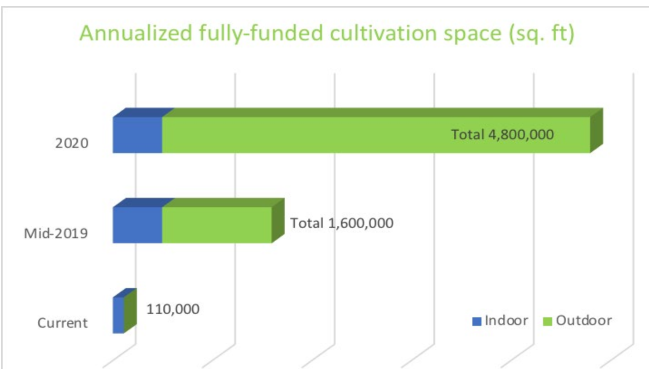
The WeedMD Team

During the year ended December 31, 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 diversifying innovative product lines; introduce new brands in the adult-use market; and secure 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.

Operational Highlights

Greenhouse Expansion



On November 21, 2017, WeedMD entered into a definitive lease and purchase option ("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 610,000 sq. ft. or 14 acres of state-of-the-art greenhouse facilities that are ready for rapid retrofit for cannabis cultivation. Subsequent to the year ended December 31, 2018, WeedMD exercised its option to purchase the property (see below Purchase of Strathroy facility).

Initial crops were successfully moved to the Strathroy facility in June 2018 with the first harvests completed in early September 2018. The next 110,000 sq. ft. of hybrid greenhouse is ready and waiting for licensing. In addition to the hybrid greenhouse, WeedMD is retrofitting a further 308,000 sq. ft. of greenhouse for traditional grow operations, bringing total cultivation square footage to 528,000, and total annual greenhouse 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 all necessary approvals to proceed with the expansion, which is now a second-site licence for WeedMD.
- As a result of the condition and supporting infrastructure, retrofit costs to convert Strathroy from a traditional greenhouse to cannabis were amongst the lowest in the industry.
- WeedMD has expanded across the facility into a total of 12 acres or 528,000 sq. ft. of existing greenhouse.
- WeedMD had the option to acquire 100% interest in Perfect Pick's property, consisting of up to 98 acres of land, infrastructure and cultivation equipment. The option to acquire was exercised on March 29, 2019.

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.

Purchase Strathroy Facility

- Deposit 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.
- Option Exercised: On March 29, 2019, WeedMD exercised the option to acquire a 100% interest in the property for the balance of $22.6 million, comprised of $17.6 million in cash and $5 million satisfied by the issuance of 2.5 million units (“Units”) in the Capital of WeedMD. Each Unit was comprised of one WeedMD common share at a price of $2.00 and one-quarter (1/4) of a warrant (for 625,000 total warrants), with each whole warrant exercisable into a WeedMD common share at an exercise price of $2.50 per share for five years.

Purchase of Adjacent Property

Subsequent to December 31, 2018, on April 9, 2019, WeedMD purchased the land adjacent to the Strathroy facility. The purchase included 60 acres of prime land, increasing the workable outdoor land to over 100 acres.

Outdoor Grow Expansion

Subsequent to the year ended December 31, 2018, on March 27, 2019, WeedMD announced that it had applied for an amendment to its Strathroy licence to expand beyond its existing cultivation with an initial 27-acre, large-scale, low-cost, outdoor cannabis grow operation with the capacity to increase up to 50 acres. The Company confirms it has secured the support of the Municipality of Strathroy-Caradoc for its planned outdoor grow expected to be completed in two phases. In 2019, Phase I will be brought online, representing more than 25 acres of production, with an additional 25 acres planned for Phase II in 2020. The company has submitted an amendment to Health Canada to licence its outdoor grow and the company anticipates beginning planting by June 2019.

The addition of the adjacent property purchased April 9, 2019 will allow the Phase II expansion to be up to 100 acres of outdoor cultivation.

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.

During the year ended December 31, 2018, WeedMD harvested over 1,700 kilograms of cannabis, representing a 100% increase over the prior year ended December 31, 2017.

Greenhouse Construction Timetable

The ramp up of the Company’s state-of-the-art greenhouse in Strathroy continues on schedule.

As of December 31st, 2018, the Company has secured cultivation licences for Phase 1 and Phase 2 of its expansion providing 110,000 sq. ft. of production space with 10 hybrid-greenhouse cultivation rooms, including clone and vegetation rooms, all currently producing at its Strathroy facility.

The Company has submitted an amendment to its Strathroy license for Phase 3 of its expansion, including licensing an additional 10 rooms, or 110,000 sq. ft. of production space, which the Company expects will be operational by June 2019.

The Company anticipates it will complete Phase 4 construction of two large greenhouse rooms by June 30, 2019. This phase of the Strathroy expansion will add a further 308,000 sq. ft. of cultivation capacity of which the Company plans to plant and harvest in 2019.

On March 27, 2019, the Company announced plans to begin outdoor cultivation on its original 98-acre Strathroy property with plans to grow on 27 acres of workable land to be planted in June and harvested in the fall of 2019.

On April 10, 2019, the Company subsequently announced the purchase of another 60 acres of adjacent land bringing total planned outdoor cultivation to over 100 acres in 2020.

Strathroy Cultivation Expansion & 2019 Harvest Schedule

Indoor	Production Type	Expected Construction Completion	Licence Issue Date (or expected)	Production Space (Sq Ft)	Measurement	# of Rooms	Licences
Phase 1	Hybrid GH	Complete	June 2018	44,000	Sq Ft	4	Cultivation, Sale
Phase 2	Hybrid GH	Complete	December 2018	66,000	Sq Ft	6	Cultivation, Sale
Phase 3	Hybrid GH	March 2019	June 2019 (expected)	110,000	Sq Ft	10	Amendment submitted
Phase 4	Standard GH	June 2019	Q3 2019 (expected)	308,000	Sq Ft	2	Amendment to existing license
Total Indoor				**528,000**		**22**	
Outdoor		**Expected Construction Completion**	**Licence Issue Date (or expected)**	**Cultivation Space (Sq Ft)**	**Cultivation Space (Acres)**	**Cultivation Zones**	**Licences**
Phase 1	Outdoor	May 2019	June 2019 (expected)	1,100,000	27	1	Amendment to existing license
Phase 2	Outdoor	Q2 2020	Q2 2020 (expected)	3,200,000	73	3	Amendment to existing license
Total Outdoor				**4,300,000**	**100**	**4**	
Consolidated				**4,828,000**	**112**		

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 LPs. These sales are made under a "Genetic Supply Agreement" that allows the recipient of these strains to produce dried product 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.

Shoppers Drug Mart

On June 20, 2018, the Company entered into an agreement to become a medical cannabis supplier to Shoppers Drug Mart ("Shoppers"). Shoppers intended to launch a new medical cannabis sales website. On September 25, 2018, Shoppers received a cannabis production licence from Health Canada, allowing it to launch the website. On February

11, 2019 the Company completed its first shipment of medical cannabis, which is now available for sale on Shoppers' website.

Cannabis Beverages Inc.

On August 15, 2018, the Company entered into a final definitive joint venture agreement with Phivida Holdings Inc. (CNSX:VIDA), to develop and operate Cannabis Beverages Inc ("CanBev") at the Strathroy facility. Both companies will be strategic partners in the development of CanBev and WeedMD will be the exclusive supplier of cannabinoid extracts to be used in cannabis infused consumer products.

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 licence 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 licences to support market diversity
- Reducing the regulations around industrial hemp
- Relaxing some security requirements
- Stringent standards for packaging and labelling
- 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.

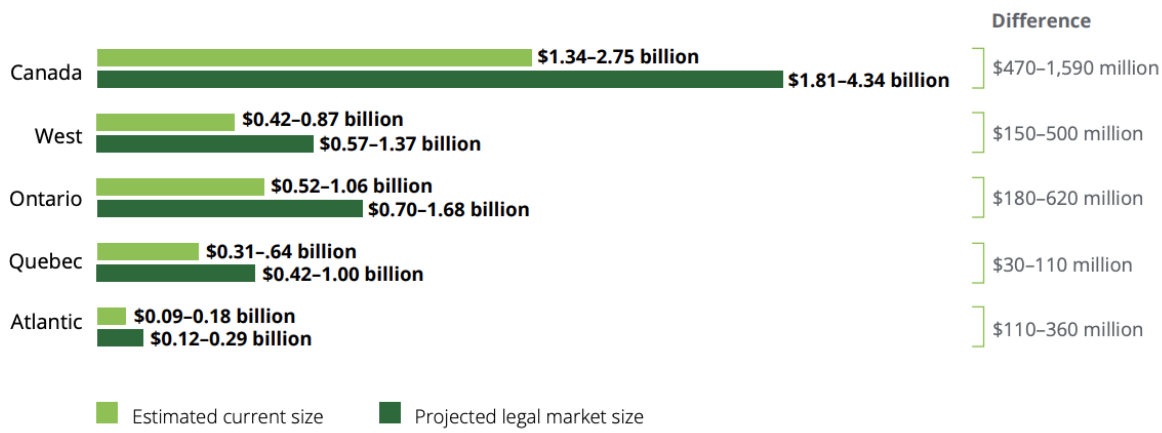
For the medical use market, the Cannabis Act, in most respects, is similar to ACMPR.

Health Canada provides quarterly reports on the industry. In the most recent release, December 31, 2018, they reported that 359,292 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 Canadian cannabis market, including medical, illegal and legal adult-use products at $7.17 billion, of which $4.34 billon will come from the legal adult-use market.

Recreational cannabis: market size

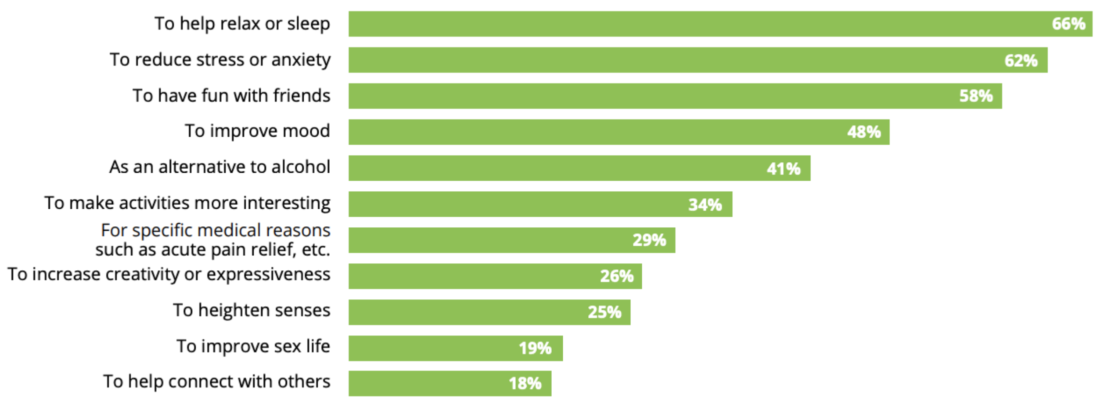


Source: Deloitte analysis

There is an anticipated gradual shift from the illegal market to the legal adult-use 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%).

Adult-use cannabis consumption usage is being driven by a number of factors, with roughly two-thirds of adult-use 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%).

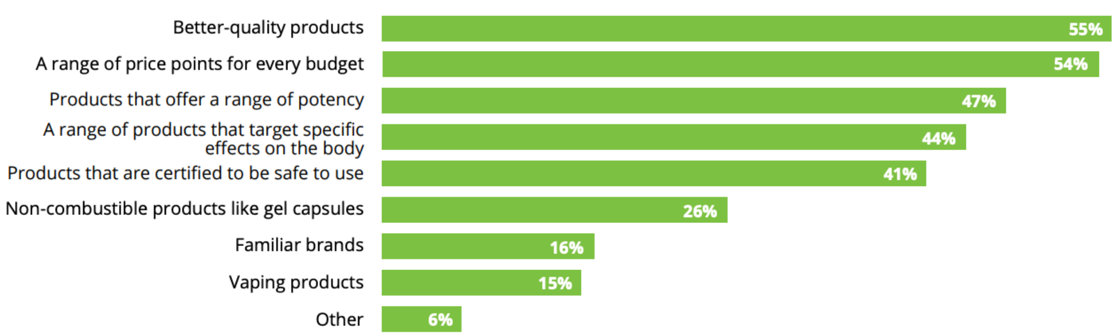
Reasons for using recreational cannabis



Source: Deloitte analysis

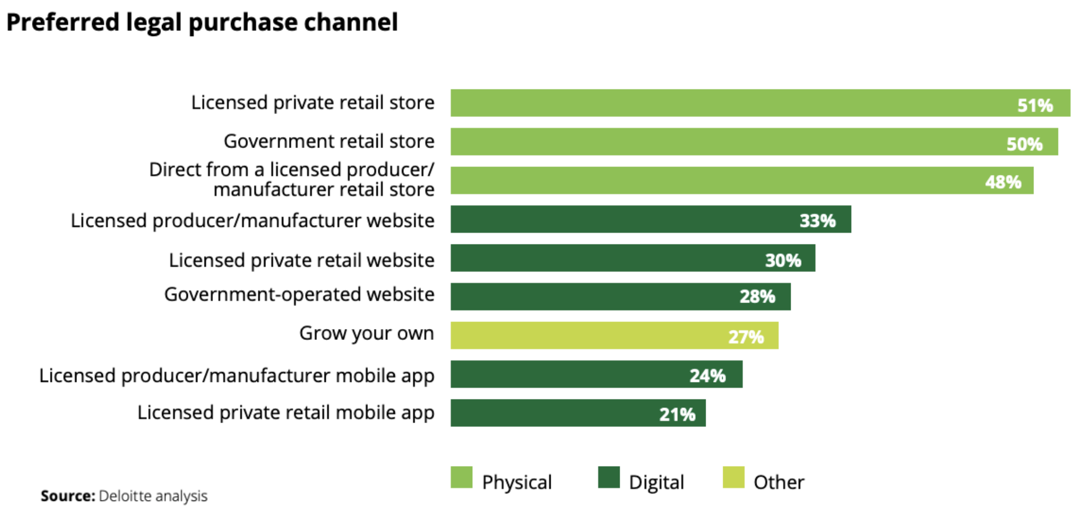
There are a variety of reasons driving consumer adoption to purchase legally in Canada. The primary reason for purchase through legal channels is quality (55%), followed closely by a variety of price points (54%) and potency ranges (47%). Quality assurance is also a key theme, with 41% of consumers believing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

Reasons to transition to legal purchase channels

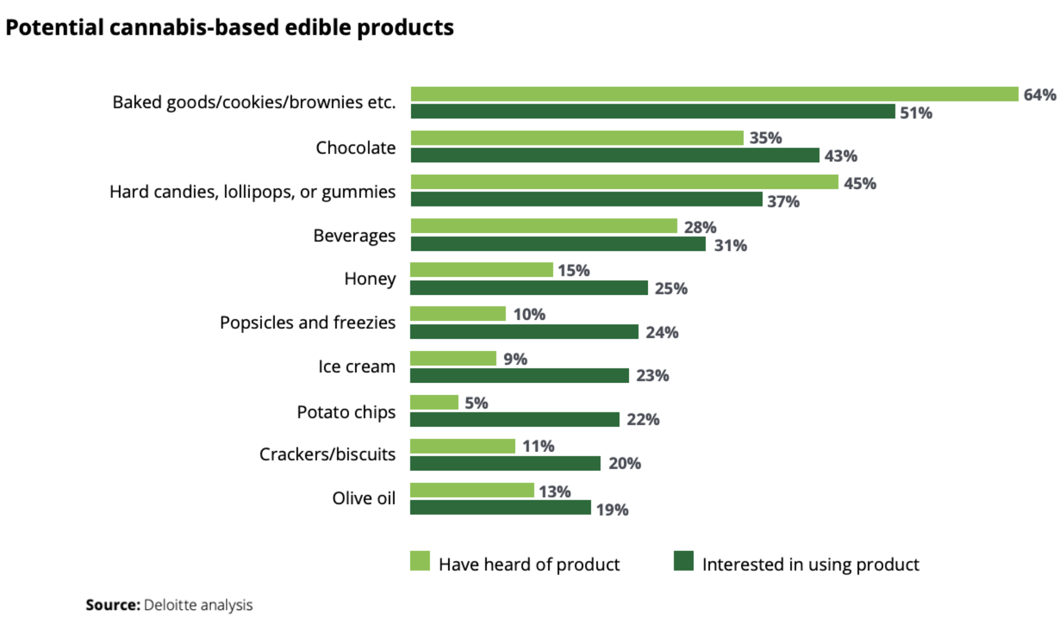


Source: Deloitte analysis

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.

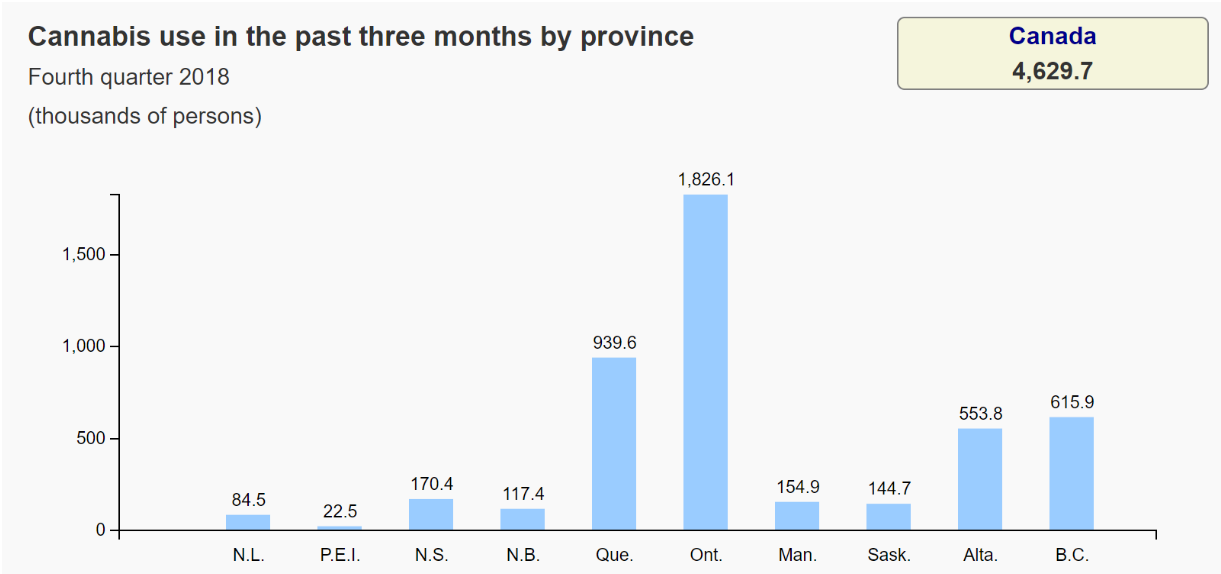


New products and product innovation will be a key factor for licensed producers as the Canadian cannabis landscape continues to evolve. While edible products will not be offered until 2019, producers are already preparing edible products for market. Over 50% of the Canadian cannabis users surveyed are 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.



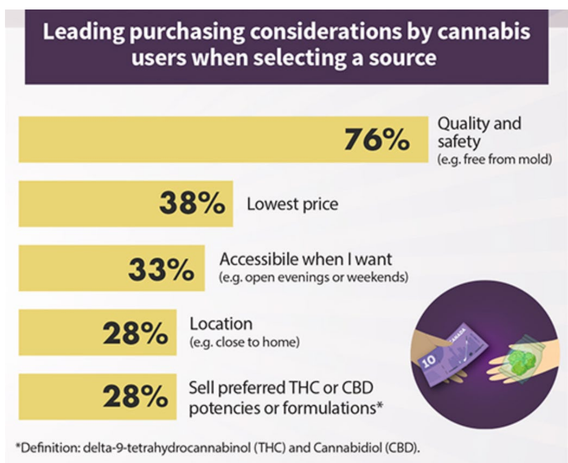
Statistics Canada results on Adult-use for three months ended December 31, 2018

Cannabis disclosed users represent approximately 12.5% of the Canadian population. The disclosed users are disbursed through the provinces, with the highest concentration in Ontario, Quebec, British Columbia and the Atlantic provinces.



Source: Statistics Canada

When purchasing cannabis products consumers place the highest importance on the quality and safety of the product, in particular the product being free from mold. The second and third considerations, being price and accessibility, respectively, are within five percent of each other.



Source: Statistics Canada

Corporate Highlights

Convertible Debenture Financing

On November 2, 2017, the Company closed a private placement of 15,000 convertible unsecured debentures (the "Unsecured Convertible Debentures") at a price per Unsecured Convertible Debenture of $1,000 for gross proceeds of $15,000,000 (the "Offering") with a syndicate of underwriters.

The Unsecured Convertible Debentures bore 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 Unsecured Convertible Debentures had a maturity date of November 1, 2019 (the "Maturity Date").

The Unsecured Convertible Debentures were convertible at the option of the holder into Shares of the Company at any time prior to the close of business on the Maturity Date at a conversion price of $1.20 per Share (the "Conversion

Price”). At any time after March 3, 2018, the Company was able to force the conversion of all of the principal amount of the then outstanding Unsecured Convertible Debentures at the Conversion Price on 30 days prior written notice should the (1) 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 Shares.

Upon the occurrence of a Change of Control, the holders of the Unsecured Convertible Debentures had, in their sole discretion, the right to require the Company to either: (i) purchase the Unsecured Convertible Debentures at 100% of the principal amount thereof plus unpaid interest to the date of the Initial Debentures are so repurchased (the “Change of Control Purchase Option”); (ii) if the Change of Control results in a new issuer, convert the Unsecured Convertible Debentures into a replacement debenture of the new issuer in the aggregate principal amount of 101% of the principal amount of the Unsecured Convertible Debentures; or (iii) convert the Unsecured Convertible Debentures at the Conversion Price. If 90% or more of the principal amount of all Debentures outstanding on the date the Company provides notice of a Change of Control have been surrendered for purchase pursuant to the Change of Control Purchase Option, the Company has the right to redeem all the remaining outstanding initial Unsecured Convertible Debentures at the same price.

The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Unsecured Convertible Debentures assuming a market interest rate of 20%, which was the estimated rate for the Unsecured Convertible Debentures without the equity component of the conversion feature. The effective interest rate of the Unsecured Convertible Debentures after reflecting issuance costs was 25%. The difference between the discounted cash flows for the Unsecured Convertible Debentures and the gross proceeds is recognized as the value of the conversion feature.

The Company also issued to the Underwriters 375,000 compensation warrants with a fair value of $174,317. Each compensation warrant is exercisable into one Share at an exercise price of $1.20 per share for a period of up to 24 months following the close of the Offering. The Company paid $1,115,605 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability and conversion feature components in proportion to their initial carrying amounts.

On March 8, 2018, $4,000,000, of the Unsecured Convertible Debentures with a carrying value of $3,104,966, were converted into 3,333,333 Shares at a conversion price of $1.20 per Share.

On April 17, 2018, $1,000,000, of the Unsecured Convertible Debentures with a carrying value of $788,485, were converted into 833,333 Shares at a conversion price of $1.20 per Share.

On May 14, 2018, $7,200,000, of the Unsecured Convertible Debentures with a carrying value of $5,738,140, were converted into 6,000,000 Shares at a conversion price of $1.20 per Share.

On October 22, 2018, the Company elected to exercise its right to force conversion of all of the outstanding principal amount of the Unsecured Convertible Debentures and unpaid accrued interest for the conversion into common shares at the conversion price of $1.20 which resulted in 2,333,334 common shares being issued. The Company became entitled to force conversion of the Unsecured Convertible Debentures on September 17, 2018 on the basis that no Event of Default had occurred and the Volume Weighted Average Price (“VWAP”) of the common shares on the TSXV for 10 consecutive trading days equalled or exceeded $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

For the year ended December 31, 2018, 230,500 broker compensation warrants were exercised for proceeds of $241,400. The number of broker compensation warrants included 88,000 issued and exercised from broker compensation options for proceeds of $70,400. The company recognized the fair value of the warrants of $67,293 in the value of the Shares issued.

For the year ended December 31, 2018, 2,347,102 Shares were issued upon exercise of warrants for proceeds of $1,771,147. Included in the Shares issued were 124,975 Shares issued for warrants exercised in 2017. The company recognized the fair value of the warrants of $340,761 in the value of the Shares issued.

During the year ended December 31, 2018, 1,808,229 stock options were exercised (year ended December 31, 2017: 323,400) for net proceeds of $1,187,323 (year ended December 31, 2017: $213,996). Shares issued upon exercise of options had a weighted average fair value of $1.85 (year ended December 31, 2017: $2.32) at the time of exercise.

For the year ended December 31, 2018, 88,000 broker compensation options were exercised for proceeds of $52,800 into 88,000 Shares and 88,000 compensation warrants. The 88,000 compensation warrants were issued and exercised on the same day for proceeds of $70,400, included in the total compensation warrants exercised. Shares issued upon exercise of the compensation options and compensation warrants had a weighted average fair value of $1.95 at the time of exercise.

Stock Option Grants

On January 12, 2018, the Company granted 3,013,000 stock options to its directors, officers, employees, and consultants which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $2.36, until January 12, 2023. 430,000 of the options vested within the year, 155,000 of the options granted vest over 12 months, and 2,428,000 of the options vest 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 85%; (iii) risk-free interest rate of 1.97%; (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 $4,797,646. Total share-based compensation for the year ended December 31, 2018 is $3,589,723.

On May 18, 2018, the Company granted 500,000 options to consultants which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $1.80, until May 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 85%; (iii) risk-free interest rate of 2.29%; (iv) share price of $1.80; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $609,641. Total share-based compensation for the year ended December 31, 2018 is $368,960.

On June 18, 2018, the Company granted 130,000 options to employees. Each option is exercisable into one common share at an 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 85%; (iii) risk-free interest rate of 2.06%; (iv) share price of $1.74; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $152,789. Total share-based compensation for the year ended December 31, 2018 is $84,716.

On September 6, 2018, the Company granted 2,105,000 options to management, employees, directors and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $2.07, until September 6, 2023. 250,000 of the options vest quarterly over 36 months, 1,455,000 of the options and vest quarterly over 24 months, 150,000 of the options are fully vested as of December 31, 2018 and 250,000 vest straight-line over 36 months until milestones are approved by the board of directors. 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 85%; (iii) risk-free interest rate of 2.28%; (iv) share price of $2.07; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $2,951,804. Total share-based compensation for the year ended December 31, 2018 is $975,737.

On October 13, 2018, the Company granted 420,000 options to management and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $1.95, until October 12, 2023. 100,000 of the options granted vest over 12 months, 300,000 of the options vest over 24 months and 20,000 of the options vest upon completion of specified performance milestones. 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 85%; (iii) risk-free interest rate of 2.38%; (iv) share price of $1.95; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $555,387. Total share-based compensation for the year ended December 31, 2018 is $133,961.

Merger Arrangement

On April 19, 2018, the Company and Hiku Brands Company Ltd. (“Hiku”) (CSE: HIKU) announced that they had entered into a definitive agreement (the “Arrangement 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. In connection with the termination of the Arrangement Agreement, the Company received a $10 million termination fee. The gain on termination of the Arrangement Agreement has been presented net of transaction fees of $1.2 million, which included an underwriter breakage fee of $1.1 million.

Overall Performance

In the year ended December 31, 2018, WeedMD continued with the registration of patients and the sale of its products and recorded revenues of $8,203,273 as compared to $1,451,062 in the prior year, an increase of 465%. For the year ended December 31, 2018, the Company recorded net comprehensive loss of $895,128.

During the year ended December 31, 2018, WeedMD harvested over 1,700 kilograms of cannabis, representing an 100% increase over the prior year ended December 31, 2017.

Adjusted Operating Loss

Adjusted Operating Loss is not a recognized measurement under International Financial Reporting Standards (“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.

	Year ended December 31,	
	2018	**2017**
Gain (loss)	**$ (895,128)**	**$ (8,805,222)**
Finance costs	459,508	1,655,288
Investment gain	(185,408)	-
Interest income	(513,281)	(73,238)
Other gains	(448,891)	-
Gain on Transaction	(8,753,633)	-
Loss before the undernoted	$ (10,336,833)	$ (7,223,172)
Realized fair value amounts included in inventory sold	2,177,532	424,100
Unrealized gain on changes in fair value of biological assets	(3,577,760)	(242,975)
Adjusted Operating Loss	$ (11,737,061)	$ (7,042,047)

Adjusted operating loss for the year December 31, 2018 increased to $11,737,061 from $7,042,047 in prior year due to an increase in general and administrative expenses and marketing costs associated with the expansion of operations and sales, partially offset by increasing sales.

Total comprehensive loss for year ended December 31, 2018 was $895,128 as compared to a total comprehensive loss of $8,805,222 for the year ended December 31, 2017. The comprehensive income in the year ended December 31, 2018 includes a net non-cash gain of $1,400,228 related to changes in fair value of biological assets ($181,125 loss in the year ended December 31, 2017); $759,508 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($1,654,838 in the year ended December 31, 2017). During the year ended December 31, 2018, the Company invested $887,259 in equity instruments (“Equity Instruments”) measured at fair value, generating an unrealized gain of $185,408 (year ended December 31, 2017: $Nil).

General Financial Condition

As at December 31, 2018 WeedMD had working capital of $29,838,984 compared to a working capital of $25,713,807 as at December 31, 2017. The Company had cash on hand of $21,223,641 (December 31, 2017: $24,695,152).

Results of Operations

	Year Ended December 31,	
	2018	**2017**
	$	$
Revenue	8,203,273	1,451,062
Net comprehensive loss	(895,128)	(8,805,222)
Cash generated by (used in) operations	(615,514)	(2,986,928)
Income (loss) per share (basic)	(0.01)	(0.15)
Income (loss) per share (diluted)	(0.01)	(0.15)

As at	**December 31, 2018**	**December 31, 2017**
	$	**$**
Total Assets	88,068,657	39,605,187
Total Liabilities	10,976,340	14,472,639
Working Capital	29,838,984	25,713,807

Revenues
WeedMD recorded revenues of $8,203,273 in the year ended December 31, 2018 (year ended December 31, 2017: $1,451,062), representing an 465% increase over prior year. Revenues consisted of the sale of dried medical and adult-use cannabis, live cannabis plants, cannabis seeds and cannabis extracts. Total dried product sold for the period was 959,249 grams at a weighted average selling price of $5.57 per gram (year ended December 31, 2017: 215,283 grams at an average selling price of $5.41 per gram).

Cost of Sales
Included in the cost of sales are the net change in fair value of biological assets and costs of goods sold. 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 year ended December 31, 2018 was $3,321,171 (year ended December 31, 2017: $1,201,164), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $1,400,228 (year ended December 31, 2017: $181,125 loss).

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
Total amortization for the year ended December 31, 2018 was $692,828 (year ended December 31, 2017: $443,283), of which $128,110 (year ended December 31, 2017 - $77,180) has been capitalized in inventory, $460,381 has been capitalized to biological assets (year ended December 31, 2017 - $342,306) and $104,337 (year ended December 31, 2017 - $23,797) is included in amortization expense.

During the year ended December 31, 2018, the Company began operations in 1 acre of the 12-acre retrofit. WeedMD began amortization on this part of the Greenhouse Expansion. As at December 31, 2018, Greenhouse Expansion leasehold improvements with a carrying value of $32,115,404 (December 31, 2017: $2,758,780), were not yet available for use. As such, the cost of the assets has been capitalized but not yet amortized.

As of December 31, 2018, software with a carrying value of $372,377 (December 31, 2017: nil), was not yet available for use. As such, the cost of the asset has been capitalized but not yet amortized.

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 year ended December 31, 2018, the Company incurred $1,008,404 in rent and occupancy costs (year ended December 31, 2017: $1,041,311), of which $205,618 (year ended December 31, 2017: $206,079) was recorded as rent and occupancy expenses, and $802,786 (year ended December 31, 2017: $835,232) was capitalized to inventory and biological assets.

Wages and salaries

In the year ended December 31, 2018 the Company incurred wages and salaries expenses of $5,421,437 (year ended December 31, 2017: $2,251,113), of which $2,589,647 (year ended December 31, 2017: $1,436,436) was recorded as expense and $2,831,790 (year ended December 31, 2017: $814,677) was capitalized to inventory and biological assets.

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 December 31, 2018, the Company employed 135 people, an increase of 94 from December 31, 2017, with the increase as a result of growth in operations and sales.

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 year ended December 31, 2018, the Company incurred Office and Administration expense of $2,579,542 (year ended December 31, 2017: $1,879,641).

Share-based compensation

The Company records share-based payments with a corresponding increase to the contributed surplus account. In the year ended December 31, 2018, the Company granted 6,168,000 stock options to its directors, officers, employees and consultants (year ended December 31, 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 October 12, 2023. For the year ended December 31, 2018, $5,370,758 stock-based compensation expenses were recorded upon vested options (year ended December 31, 2017: $1,994,860).

Net income (loss) for the period

The Company reported a net loss and comprehensive loss of $895,128 for the year ended December 31, 2018 (loss for the year ended December 31, 2017: $8,805,222).

Liquidity and Capital Resources

As at December 31, 2018, the Company had cash of $21,223,641 (December 31, 2017: $24,695,152). Total current assets of $40,815,324 (December 31, 2017: $28,834,775), including inventory and biological assets of $7,984,127 (December 31, 2017: $3,054,222); with current liabilities of $10,976,340 (December 31, 2017: $3,120,968), resulting in working capital of $29,838,984 (December 31, 2017: $25,713,807).

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

Off-balance sheet arrangements

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

Contractual obligations

On November 21, 2017, the Company entered a lease for the Hybrid Greenhouse, 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. As at December 31, 2018, the Company was leasing 14 acres.

On November 21, 2017, the Company entered into a purchase option agreement, which gives the Company the option to purchase a 98-acre property, including the property leased for the Hybrid Greenhouse ("Strathroy facility"). The purchase price was composed of (1) 3,000,000 Shares and 3,000,000 warrants of the Company issued on November 21, 2017; (2) $7,000,000 in milestone payments to accrue over 36 months from the agreement date upon reaching mutually agreed-upon operating and performance milestones; and (3) $15,600,000 balance to be paid on closing. The milestone payments will be paid with a combination of cash and a vendor-take-back mortgage, and the vendor has the option to accept up to $5,000,000 of the milestone payment in Shares. The option is exercisable for five years from the agreement date, with an option to extend for an additional five years for a $1,000,000 extension fee.

On March 29, 2019, WeedMD exercised its option to purchase the Strathroy facility (see Subsequent event section).

The lease commitment schedule is outlined in the below table:

Within 1 year	2,318,577
Within 2 years	199,078
Within 3 years	190,668
Within 4 years	193,668
Beyond 4 years	236,946
	$ 3,138,937

Transactions with related parties

The Company's key management includes CEO, CFO, and the Chairman 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:

	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	**$ 119,801**	$ 77,399
	$ 119,801	$ 77,399

For the year ended December 31, 2018 and 2017, total remuneration/service fees paid, and interest paid to the key management is as follows:

	Year ended December 31, **2018**	2017
Interest paid to related parties	**-**	(222)
Share based compensation	**2,105,662**	1,602,363
Salaries	**690,570**	418,615
Bonus	**150,415**	255,000
Rental	**-**	22,777
Fees	**264,038**	163,994
	$ 3,210,685	$ 2,462,527

During the year ended December 31, 2018 no compensation shares were issued (year ended December 31, 2017: 1,125,000, with a fair value of $978,750) and 2,400,000 stock options (year ended December 31, 2017: 1,862,500) were issued with fair value of $3,707,537 (year ended December 31, 2017: $978,750) with a recorded share-based compensation of $2,105,662 (year ended December 31, 2017: $623,613) to certain key management personnel.

Property, plant and equipment

During the year ended December 31, 2018, WeedMD invested $37,175,749 on capital expenditures. The Greenhouse expansion represents 86%, or $31,839,664 of the expenditures. $1,500,000 for the purchase of the land & building of the Aylmer facility, and the remaining additions being related to equipment purchases.

Summary of Quarterly Results

	Q1-18	Q2-18	Q3-18	Q4-18
Revenue	$ 1,142,341	$ 2,089,163	$ 2,001,369	$ 2,970,400
Income (loss) before other income and expenses	$ (1,578,161)	$ (1,691,678)	$ (120,958)	$ (7,601,231)
Net comprehensive income (loss)	$ (1,321,497)	$ (1,763,007)	$ 9,904,660	$ (7,715,284)
Income (loss) per Share	$ (0.01)	$ (0.02)	$ 0.09	$ (0.07)

	Q1-17	Q2-17	Q3-17	Q4-17
Revenue	$ -	$ 235,659	$ 356,479	$ 858,924
Loss before other income and expenses	$ (49,401)	$ (3,145,019)	$ (566,565)	$ (5,117,475)
Net comprehensive loss	$ (49,401)	$ (4,759,844)	$ (557,807)	$ (3,438,170)
Loss per Share	$ (0.01)	$ (0.08)	$ (0.01)	$ (0.05)

The quarter Q1-17 represent the results of Aumento Capital V Corporation.

Risk Factors

It is believed that the following factors 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 licences

The operations of the Company require it to obtain licences for the transportation, distribution, production, packaging, storing, growing and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. 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.

The failure of the Company to obtain and maintain the applicable licences and amendments thereto would have a material adverse impact upon the Company.

In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. The Cannabis Licence for the Aylmer Facility expires on April 24, 2020 and the Cannabis Licence for the Strathroy Facility expires June 8, 2021. Any loss of interest in any such required licence or permit, or the failure of any governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company.

Regulatory risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company may not be able to accurately predict the impact of the compliance regime Health Canada is implementing for the Canadian medical and adult-use cannabis industry. Similarly, the Company may not be able to accurately 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. 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 business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs 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.

Change in laws, regulations and guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws. If any changes to such laws, regulations or guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operations.

The Cannabis Act came into effect on October 17, 2018 to create a regulated adult-use market for cannabis in Canada. The Cannabis Act and Cannabis Regulations prohibit testimonials, lifestyle branding and packaging as well as certain other promotional activity that is appealing to youth and set out broad prohibitions on the promotion of cannabis at the federal level. Provincial or territorial governments may add an additional layer of regulations on promotion of cannabis. The federal, provincial and territorial restrictions on advertising, marketing and the use of logos and brand names may reduce the value of certain of the Company's products and brands or negatively impact its ability to compete with other companies in the cannabis market, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, the governments of every Canadian province and territory have enacted and implemented their respective regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. The provincial or territorial legislation and regulatory regimes may change in ways that impact the Company's ability to continue its business as currently conducted or proposed to be conducted. There is no guarantee that provincial or territorial regulatory regimes governing the distribution and sale of cannabis for adult-use purposes in each jurisdiction will remain as currently enacted or that any such legislation and regulation will create the growth opportunities that the Company currently anticipates. The federal and provincial or territorial legislation and regulatory regimes for cannabis products also include excise duties payable by licensed cannabis producers on adult-use cannabis products, in addition to goods and services tax/harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties on cannabis products in the future could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in general. In addition, any increase in the rate of excise duties on cannabis products in the future could reduce the Company's margins and profitability in the event that the Company could not or chose not to pass along such increases to consumers. Any of the foregoing could result in a material adverse effect of the Company's business, financial condition, results of operations and prospects.

The adult-use cannabis industry and market in Canada is also subject to certain risks that are unique to this industry, as well as the risks that are currently applicable to the medical cannabis market, which are described elsewhere in this section. If any of these shared risks occur, the Company's business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by not being able to successfully compete in the adult-use cannabis industry and by being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against the Company.

Effect of Legalization of Adult-use Cannabis on Medical Cannabis Industry

The effect of the legalization of adult-use cannabis in Canada on the medical cannabis industry is unknown, and may have a significant negative effect upon the Company's medical cannabis business if its existing or future medical-use customers decide to purchase products available in the proposed adult-use market instead of purchasing medical use products from the Company.

The Cannabis Act became effective in October 2018 and additional regulations are expected to go into effect in October 2019. As a result, individuals who currently rely upon the medical cannabis market for the supply of their medical cannabis and cannabis-based products may instead turn to the adult-use cannabis market. Factors that will influence this decision include the price of medical cannabis products in relation to similar adult-use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult-use cannabis products, the types of cannabis products available to adult users and limitations on access to adult-use cannabis products imposed by the regulations under the Cannabis Act and the legislation governing distribution of cannabis enacted by the individual provinces and territories of Canada. A decrease in the overall size of the medical cannabis market as a result of the adoption of the Cannabis Act and the legal adult-use market in Canada may reduce the Company's medical sales and revenue prospects in Canada.

Early Stage of the Medical Cannabis Industry

As a licensed producer under the Cannabis Act, the Company is operating its business in a relatively new medical and adult-use cannabis industry and market. In addition to being subject to general business risks, a business involving an agricultural product and a regulated consumer product, the Company needs to continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all.

Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets.

In addition, the Cannabis Act also permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis on their behalf. This could potentially significantly reduce the market for the Company's products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on the Company's business, financial condition and results of operations.

Limited Operating History and Uncertainty of Future Revenues

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 cannabis, establish a market for its product, or maintain its Cannabis Licences. 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.

Acquisition of Patients

The Company's success partly depends on its ability to attract and retain patients. There are many factors which could impact the Company's ability to attract and retain patients, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of the Company's patient-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option. The Company's failure to acquire and retain patients would have a material adverse effect on the Company's business, operating results and financial condition. Further, as described elsewhere in this section, it is uncertain how the development of the adult-use cannabis market will impact the medical cannabis market.

Competition
The Cannabis Act and the introduction of an adult-use model for cannabis production and distribution may impact the medical cannabis market. The impact of this development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

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 Company also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid Cannabis Licence.

If the number of users of medical cannabis in Canada increases, and/or if the national demand for adult-use cannabis 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.

As well, the legal landscape for medical and adult-use cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another. The Company currently has partnerships in place in Australia, where it exported cannabis genetics to Australia's Medifarm, and in Israel, where it exported cannabis genetics to Israel's Pharmocann. These partnerships, and potential future partnerships, may be affected if more countries legalize medical cannabis. Increased international competition might lower the demand for the Company's products on a global scale.

In addition, it is possible that the medical cannabis industry will undergo consolidation, creating larger companies with greater financial resources, manufacturing and marketing capabilities and product offerings than the Company's. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable, or at all.

Indebtedness and the Credit Facility
In relation to the Credit Facility, the Company is subject to risks typically associated with secured debt financing. The Company’s cash flows could be insufficient to satisfy required payments of principal and interest under the Credit Facility. Further, the Company may be exposed to increased interest rates as the interest rate under the Credit Facility is set to a margin over the Canadian dollar prime rate, or a bankers' acceptance of appropriate terms.

The Credit Facility contains covenants that require the Company to maintain certain financial ratios. If the Company does not maintain such ratios, it could have consequences for the availability of credit under the Credit Facility or result in repayment requirements that the Company may not be able to satisfy. If the Company is unable to meet any required payments under the Credit Facility, the lenders could foreclose upon the Company’s facilities securing its obligations under the Credit Facility, appoint a receiver and receive an assignment of accounts or pursue other remedies generally available to secured creditors, all of which could result in a material adverse effect on the Company. The Company’s ability to make scheduled payments of principal and interest on its indebtedness depends on its future cash flow, which is subject to the financial performance of the Company’s business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the Company’s control.

International Expansion
The Company may in the future expand its operations and business into jurisdictions outside of Canada. There can be no assurance that any market for the Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit the

Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

Product Development

The medical and adult-use cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Provincial Supply Agreements

The Company expects to derive a significant portion of its future revenues from the recently legalized adult-use cannabis industry and market in Canada, including through its agreements with the provincial wholesale distributors. For additional information regarding the Company's supply agreements, see "General Development of the Business – Three Year History – Year Ending December 31, 2018 – Provincial Supply Agreements" and "Description of the Business—Method of Distribution".

The agreements with the provincial wholesalers do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum or fixed volume of products from the Company. The amount of cannabis that the provincial wholesalers may purchase under the Company's agreements with them may therefore vary from what the Company expects or has planned for. As a result, the Company's revenues could fluctuate materially in the future and could be materially and disproportionately impacted by the purchasing decisions of the provincial wholesalers. If any of the provincial wholesalers decide to purchase lower volumes of products from the Company than the Company expects, alters its purchasing patterns at any time with limited notice or decides not to continue to purchase the Company's cannabis products at all, the Company's revenues could be materially adversely affected, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Supply and Price Fluctuations

In response to the initial surge in demand for cannabis as a result of the legalization of adult cannabis use in Canada, WeedMD, and others licensed to produce cannabis under the Cannabis Act, may not be able to produce enough cannabis to meet adult-use demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply.

In the future, cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian adult-use and medical markets, and they may be unable to export that oversupply into other markets where cannabis use is fully legal under all applicable jurisdictional laws. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations were to occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected.

In addition, there are currently hundreds of applications for licensed producers' status being processed by Health Canada. The number of licences granted, and the number of licensed producers ultimately authorized by Health Canada could have an adverse impact on the Company's ability to compete for market share in Canada's medical cannabis industry.

Realization of Growth Targets

The Company's ability to continue production of cannabis is affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms.

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.

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
- sourcing and installing automated packaging lines

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.

Future Acquisitions

The Company may not be able to successfully identify and execute future acquisitions or dispositions or to successfully manage the impacts of such transactions on its operations. Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) the potential disruption of the Company's ongoing business; (ii) the distraction of management away from the ongoing oversight of its existing business activities; (iii) incurring additional indebtedness; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (v) an increase in the scope and complexity of its operations and (vi) the loss or reduction of control over certain of its assets.

The existence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could result in its incurring those liabilities. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy, and it may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into its operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior 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.

Further, as a licensed producer under the Cannabis Act, certain key employees are subject to a security clearance by Health Canada. Under the Cannabis Act a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a key employee to maintain or renew his or her security clearance, would result in a material adverse effect on the Company's business, financial condition and results of operations. In addition, if a key employee leaves the Company, and the Company is unable to find a suitable replacement that has a security clearance required by the Cannabis Act in a timely manner, or at all, there could occur a material adverse effect on the Company's business, financial condition and results of operations.

The Company is Reliant on its Facilities

The Company's activities and resources are focused on its two facilities – the Aylmer Facility and the Strathroy Facility. The Company's current licences under the Cannabis Act are specific to each of these facilities. Adverse changes or developments affecting the Company's facilities, including but not limited to disease or infestation of the Company's crops, a fire, an explosion, a power failure, a natural disaster or a material failure of the Company's security infrastructure, could reduce or require it to entirely suspend its production of cannabis. A significant failure of the Company's site security measures and other facility requirements, including any failure to comply with regulatory requirements, could have an impact on its ability to continue operating under its Cannabis Licences or its prospects of renewing its Cannabis Licences, and could also result in a suspension or revocation of the Cannabis Licences.

The Company's facilities continue to operate with routine maintenance. The Company will bear many, if not all, of the costs of maintenance and upkeep of the facilities, including replacement of components over time. The Company operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements.

Certain contemplated capital expenditures of the Company may require Health Canada approval. There is no guarantee that Health Canada will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of operations of the Company.

Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids. The statements made in this prospectus concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, the statements made in this prospectus are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

Shelf Life of Inventory

The Company holds finished goods in inventory and its inventory has a shelf life. Finished goods in its inventory include cannabis flower and cannabis oil products. Management regularly reviews the amount of inventory on hand, reviews the remaining shelf life and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on our business, financial condition, and results of operations.

Marketing Constraints

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Moreover, the Cannabis Act imposes further packaging, labelling and advertising restrictions on producers in the adult-use market. If the Company fails to comply with the packaging, labelling and advertising restrictions, it will be subject to monetary penalties, required to suspend sale of noncompliant products and/or be disqualified as a vendor by government-run provincial distributors.

Brand Promotion

A critical component of the Company's future growth is its ability to promote and sustain its brands, which it believes can be achieved by providing a high-quality user experience. An important element of the Company's brand promotion strategy is establishing a relationship of trust with its consumers. In order to provide a high-quality user experience, the Company has invested and will continue to invest substantial amounts of resources in the development products, infrastructure, fulfilment and customer service operations. If the Company's consumers are dissatisfied with the quality of the products sold to them or the customer service they receive and their overall customer experience, the Company's consumers may stop purchasing products from it.

Further Funding Requirements

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms, which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

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 cannabis 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 cannabis 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 the products produced by the Company 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 its results of operations and financial condition of the Company. There can be no assurances that the Company will be able to 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 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 labelling disclosure. If any of the Company'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 its 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 the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company'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 the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.
Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. the Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Research and Development and Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Security and Privacy

Given the nature of the Company's products and the lack of legal availability of such products outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada) ("PIPEDA"), protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company.

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).

Reputational Risk to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Holding Company

The Company is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

History of Net Losses

The Company has incurred losses in recent periods. 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.

Proprietary Protection

The success of the Company's business depends in part on its ability to protect its ideas and technology. The Company has no patented technology or trademarked business methods at this time, nor has it registered any patents. In Canada, the Company has a registered a design trademark for its logo for WeedMD.com. In addition, the Company has registered a Canadian trademark for the word "WEEDMD".

Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, the Company is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights.

Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact the Company's ability to successfully grow the business.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies or are engaged and will continue to be engaged in activities that may put them in conflict with the business strategy of the Company. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. All decisions to be made by such directors and officers involving the Company are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on, any matter in which they may have a material conflict of interest.

Risks Inherent in an Agricultural Business

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

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. 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.

Unfavourable Publicity or Consumer Perception

The Company believes the medical and adult-use cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed to such consumers. 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 the Company'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 medical cannabis in general, or the Company's products specifically, or associating the consumption of medical 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.

Share Price Volatility

The market price of the Common Shares may be subject to wide price fluctuations. The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, community support for the medical cannabis industry 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 Common Shares.

Transportation Risks

Due to its direct to client shipping model for medical cannabis, the Company depends on fast and efficient courier services to distribute its product. Any prolonged disruption of this 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.

Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under the Cannabis Licences or the prospect of renewing the Cannabis Licences.

Vulnerability to Rising Energy Costs
The Company's cannabis growing operations consume considerable energy, which make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

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 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.

Need to Attract and Retain Qualified Personnel
The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified personnel. Competition for such personnel may be intense and there can be no assurance that the Company will be successful in identifying, attracting, hiring and retaining such personnel in the future. If the Company is unable to identify, attract, hire and retain qualified personnel in the future, such inability could have a material adverse effect on its business, operating results and financial condition.

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 Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

Dividends
The Company has no 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
The Common Shares are listed on the TSXV, however, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities 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 are reasonable as disclosed in Note 2(d) of the Consolidated Financial Statements.

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 transactions. The amendments are 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.

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 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.

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 is recognized at a point in time when control over the goods have been transferred to the purchaser, and collectability is reasonably assured, which is consistent with the Company's previous 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.

The Company adopted IFRS 15 using the modified retrospective approach, where the cumulative impact of adoption was required to be recognized in retained earnings as of January 1, 2018 and comparatives were not required to be restated.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time, the assessment of which requires judgment. The model features the following five-step contract-based analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

b) New Accounting Standards to be Adopted in the Future

At the date of authorization of these 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 ("IFRS 16"), was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will reflect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the Statement of Financial Position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the application of this standard.

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 consolidated financial statements of the Company.

Disclosure of Outstanding Share Data

As of April 30, 2019, the following are outstanding:

Common Shares:	114,157,021
Warrants:	11,880,755
Stock and Broker Compensation Options:	10,024,170

Subsequent Events

a) Financing

On March 29, 2019, the Company entered into combined credit agreements totalling $39.15 million (collectively, "Credit Facilities") with Bank of Montreal. The Credit Facilities mature in 2022 and bear an interest rate on a tier rate based on total funded debt to EBITDA. The Interest rate will range from approximately 1% to 2% above Canadian prime rate.

b) Purchase of property

In connection with the Credit Facilities, on March 29, 2019, the Company exercised its option to purchase the Strathroy Facility. The purchase price remaining under the option agreement was $22.6 million, of which $17.6 million was paid in cash and $5.0 million was satisfied by the issuance 2.5 million units in the capital of the Company. Each unit was comprised of one WeedMD common share at a price of $2.00 and one-quarter of a warrant (625,000 warrants in total), with each whole warrant exercisable into a WeedMD common share at an exercise price of $2.50 per share for five years.

On April 9, 2019, the Company purchased the 60-acre adjacent property to the Strathroy Facility for $1.2 million.

c) Strathroy License

On April 15, 2019, the Company announced that it had secured a standard processing license from Health Canada for its Strathroy facility. This allows the Company to implement processing and packaging activities with cannabis at the site.

d) Outdoor Cultivation

On March 27, 2019 the Company announced a comprehensive plan for the outdoor cultivation of cannabis at the Strathroy facility. The Company believes that it has put together a compelling plan to be successful with outdoor cultivation, contingent on securing a license from Health Canada.

e) Supply Contracts

On January 10, 2019, the Company announced that it had been approved as a supplier to the Province of Manitoba, and on February 24, 2019, the Company announced that it had been approved as a supplier to the Province of Saskatchewan. As a result, the Company now has distribution in six provinces across Canada for the adult-use market.

f) Investment in Pioneer Cannabis Corp.

On January 10, 2019, the Company entered into an agreement with Pita Pit Canada and a private company, to form Pioneer Cannabis Corp. ("Pioneer"), a cannabis retail services provider and franchise operation. The Company holds 9.9% with the option to purchase an additional 40.2% if permitted by applicable laws. On April

17, 2019 Pioneer announced that it had signed an agreement to open the first Pioneer store in Ontario. At December 31, 2018, $462,265 was included in Trade and Other Receivables owing from Pioneer Cannabis Corp.

g) Stock options granted

On January 9, 2019, the Company granted 2,868,000 stock options to its directors, officers, employees, and consultants. Each option is exercisable into one common share at an exercise price of $1.53, until January 8, 2024.

h) Stock options exercised

Subsequent to the year ended December 31, 2018, the Company issued 386,458 Shares from the exercise of options at a weighted average exercise price of $0.60 per share for net proceeds of $231,875.