CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WEEDMD INC.

For the three months ended March 31, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

(Unaudited)

CONTENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of WeedMD Inc. is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements.

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are considered by management to present fairly the company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

(signed) "Keith Merker"

Keith Merker, Director
May 30, 2019

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	March 31, 2019	December 31, 2018
		(Unaudited)	*(Audited)*
Assets			
Current:			
Cash and cash equivalents		**$ 16,853,647**	$ 21,223,641
Restricted cash	8	**3,112,650**	100,000
Trade and other receivables		**4,533,909**	2,100,957
Investments	4	**1,608,678**	1,593,251
Prepaid expenses and deposits		**2,358,546**	2,101,028
Commodity tax receivable		**6,909,644**	5,712,320
Inventory	5	**8,713,069**	5,834,051
Biological assets	5	**5,141,680**	2,150,076
		49,231,823	40,815,324
Deposit on property		**-**	5,892,350
Property, plant and equipment	6	**81,523,133**	41,360,983
Total assets		**$ 130,754,956**	$ 88,068,657
Liabilities			
Current:			
Accounts payable and accrued liabilities		**$ 13,521,835**	$ 10,976,340
		13,521,835	10,976,340
Loans and borrowings	8	**35,431,472**	-
Total liabilities		**48,953,307**	10,976,340
Shareholders' equity			
Common shares	9	**$ 84,031,001**	$ 79,692,641
Warrants reserve	10	**8,845,578**	8,073,109
Contributed surplus	11	**8,615,903**	6,613,513
Deficit		**(19,690,833)**	(17,286,946)
Total equity		**81,801,649**	77,092,317
Total liabilities and equity		**$ 130,754,956**	$ 88,068,657

See accompanying notes to condensed interim consolidated financial statements

Commitments (Note 17)

Subsequent events (Note 20)

Approved:

Director *"Keith Merker"*
Signed

Director *"Michael Pesner"*
Signed

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

For the three months ended March 31,	Note		2019		2018 *Amended (Note 3(a))*
Revenue	15	$	**3,692,808**	$	1,142,341
Excise taxes			**(357,020)**	$	-
Revenue, net			**3,335,788**		1,142,341
Cost of sales:					
Cost of goods sold			**2,846,694**		409,632
Gross profit before changes in fair value			**489,094**		732,709
Realized fair value amounts included in inventory sold	5		**607,632**		896,539
Unrealized gain on changes in fair value of biological assets	5		**(3,430,788)**		(803,643)
Gross profit			**3,312,250**		639,813
General and administrative expenses			**3,621,221**		1,517,599
Share based compensation			**2,033,431**		37,620
Finance costs			**13,564**		647,115
Amortization			**107,922**		15,640
Loss before other income			**(2,463,888)**		(1,578,161)
Unrealized gain on investments	4		**15,667**		125,000
Interest income			**44,334**		131,664
Loss and comprehensive loss			**(2,403,887)**		(1,321,497)
Basic loss per share	13	$	**(0.02)**	$	(0.01)
Diluted loss per share	13	$	**(0.02)**	$	(0.01)

See accompanying notes to condensed interim consolidated financial statements

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2019 and 2018

	Note	Number of Shares	Share Capital	Warrants	Conversion Feature	Contributed Surplus	Deficit	Total
Balance, January 1, 2018 (Audited)		**78,250,222**	**$ 34,029,538**	**$ 3,794,703**	**$2,607,546**	**$ 1,092,579**	**$ (16,391,818)**	**$ 25,132,548**
Conversion of debentures	7	3,333,333	3,800,311	-	(695,345)	-	-	3,104,966
Units issued upon Prospectus Offering (restated)*	9(a)	16,046,511	29,352,724	5,147,275	-	-	-	34,499,999
Unit issue cost (restated)*	9(a)	-	(2,627,835)	(460,815)	-	807,000	-	(2,281,650)
Shares pending to be issued at December 31, 2017		124,975	-	-	-	-	-	-
Shares issued on broker warrants exercise		54,000	89,899	(25,099)	-	-	-	64,800
Shares issued on warrants exercise		2,222,127	2,111,908	(340,761)	-	-	-	1,771,147
Shares issued on option exercise		342,416	340,977	-	-	(94,141)	-	246,836
Share based compensation		-	-	-	-	37,620	-	37,620
Loss		-	-	-	-	-	(1,321,497)	(1,321,497)
Balance, March 31, 2018 (Unaudited)/(Restated)*		**100,373,584**	**$ 67,097,522**	**$ 8,115,303**	**$1,912,201**	**$ 1,843,058**	**$ (17,713,315)**	**$ 61,254,769**
Balance, January 1, 2019 (Audited)		**111,270,564**	**$ 79,692,641**	**$ 8,073,109**	**$ -**	**$ 6,613,513**	**$ (17,286,946)**	**$ 77,092,317**
Units issued upon property purchase	9(b)	2,500,000	4,251,692	772,469	-	-	-	5,024,161
Shares issued on option exercise	11(i)	92,708	86,668	-	-	(31,041)	-	55,627
Share based compensation	11	-	-	-	-	2,033,431	-	2,033,431
Loss		-	-	-	-	-	(2,403,887)	(2,403,887)
Balance, March 31, 2019 (Unaudited)		**113,863,272**	**$ 84,031,001**	**$ 8,845,578**	**$ -**	**$ 8,615,903**	**$ (19,690,833)**	**$ 81,801,649**

*Restatement is for Q4 correction to allocation of unit proceeds all within Equity between Share Capital, Warrants and Contributed Surplus.

See accompanying notes to condensed interim consolidated financial statements

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the three months ended March 31,	Note	**2019**	2018
			Amended (Note 3(a))
Cash flows provided by (used in):			
Operating			
Loss		**$ (2,403,887)**	$ (1,321,497)
Adjustments for:			
Amortization		**107,922**	132,293
Share based compensation	11	**2,033,431**	37,620
Accretion and interest expense	7	**-**	647,115
Fair value changes in biological assets included in inventory sold	5	**607,632**	896,539
Unrealized gain on changes in fair value of biological assets and inventory	5	**(3,430,788)**	(803,643)
Miscellaneous gains		**(15,667)**	(125,000)
		$ (3,101,357)	$ (536,573)
Change in non-cash working capital	14	**(4,087,148)**	(1,060,995)
		(7,188,505)	(1,597,568)
Investing			
Purchase of investments	4	**-**	(750,000)
Acquisition of plant and equipment	6	**(29,655,938)**	(8,144,826)
		(29,655,938)	(8,894,826)
Financing			
Proceeds from issuance of share capital, net of issue costs	9(a)	**-**	32,243,128
Proceeds from loan financing	8	**35,431,472**	
Proceeds from exercise of warrants	10	**-**	1,835,947
Proceeds from exercise of stock options	11(i)	**55,627**	243,700
Interest paid		**-**	(59,556)
		35,487,099	34,263,219
Increase (decrease) in cash		**(1,357,344)**	23,770,825
Foreign exchange		**-**	2,474
Cash, beginning of period		**21,323,641**	24,692,678
Cash, end of period		**$ 19,966,297**	$ 48,465,977
Cash and cash equivalents		**16,853,647**	48,465,977
Restricted Cash		**3,112,650**	-
		$ 19,966,297	$ 48,465,977

See accompanying notes to the condensed interim consolidated financial statements

1. Nature of Operations

WeedMD Inc. is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer and distributor of cannabis products for both the medical and adult-use markets. The Company owns and operates two facilities: a 26,000 sq. ft. indoor facility in Aylmer, Ontario (“Aylmer Facility”) and a 158-acre property with state-of-the-art greenhouses (“Hybrid Greenhouse”) and outdoor facility located in Strathroy, Ontario (the “Greenhouse Expansion”). The Company currently has 136,000 square feet (“sq. ft.”) of licensed production space across its facilities and is expected to have a total footprint of more than 550,000 sq. ft. of indoor and greenhouse production in addition to more than 25 acres of outdoor cultivation space online in the first half of 2019. WeedMD has a multi-channeled distribution strategy that includes selling directly to medical patients, strategic relationships across the seniors’ market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies.

The condensed interim consolidated financial statements of WeedMD Inc. for the three months ended March 31, 2018 are comprised of WeedMD Inc. and its wholly-owned subsidiaries: WeedMD Capital Corp., 2686912 Ontario Limited, 2686913 Ontario Limited, 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.

WeedMD Inc., is a publicly listed company on the TSX Venture Exchange (“TSXV”) that trades under the ticker symbol “WMD”. WeedMD Inc. is also listed on the OTCQX under the ticker symbol “WDDMF” and on the Frankfurt Stock Exchange under the ticker symbol “4WE”. The registered and head office of the Company is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

Effective October 17, 2018, the Company is licensed to produce and sell cannabis under the Cannabis Act, with licences effective to April 24, 2020 and June 8, 2021 for the Company’s two facilities.

2. Basis of preparation

a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of WeedMD Inc. for the years ended December 31, 2018 and 2017, which have been prepared in accordance with IFRS.

These consolidated financial statements were approved by the Board of Directors for issue on May 28, 2019.

b) Basis of presentation:

The condensed interim consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments and biological assets, which are measured at fair value and inventory which is recorded at the lower of cost and net realizable value.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the condensed interim consolidated financial statements.

c) Accounting estimates and judgments

The preparation of these condensed interim 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 condensed interim 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 policies and methods applied in the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2018.

3. Significant Accounting Policies

a) Biological Assets

During the year ended December 31, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as production costs. The new accounting policy was applied retrospectively and is as follows:

The Company measures biological assets consisting of cannabis plants not yet harvested at fair value less costs to sell up to the point of harvest. Seeds included in inventory are recorded at cost which was determined to be nil. While the Company's biological assets are within the scope of IAS 41 *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories.* Production costs related to the transformation of biological assets to the point of harvest, which include direct costs such as growing materials as well as indirect costs such as utilities and supplies used in the growing process, are capitalized. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred.

Agricultural produce consisting of cannabis is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of inventory after harvest. Gains or losses arising from changes in fair value less costs to sell, excluding capitalized production costs, are included in "unrealized gain on changes in fair value of biological assets" on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

When inventory is sold, costs capitalized to biological assets and inventory are expensed through "Cost of goods sold" and the fair value adjustment to biological assets included in inventory sold is expensed through "Realized fair value amounts included in inventory sold" on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

The new accounting policy provides more reliable and relevant information to users as the gross profit before fair value adjustments only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold. There is no impact of this policy change on gross profit, loss and comprehensive loss, basic and diluted loss per share, the statements of financial position, or the statements of changes in shareholders' equity on the current or any prior period, as the changes in cost of goods sold and production costs are offset by the realized fair value amounts included in inventory sold and unrealized gain on changes in fair value of biological assets. The following demonstrates the change for the periods ending March 31 and June 30, 2018.

For the three months ended	Original accounting policy June 30, 2018	New accounting policy June 30, 2018	Original accounting policy March 31, 2018	New accounting policy March 31, 2018
Statement of Loss and Comprehensive Loss				
Sales	$ 2,089,163	$ 2,089,163	$ 1,142,341	$ 1,142,341
Less: Excise taxes	-	-	-	-
	2,089,163	2,089,163	1,142,341	1,142,341
Cost of sales:				
Cost of goods sold	169,887	618,870	198,882	409,632
Production costs	716,838	-	652,039	-
	886,725	618,870	850,921	409,632
Gross profit (loss) before changes in fair value	1,202,438	1,470,293	291,420	732,709
Realized fair value amounts included in inventory sold	1,231,640	782,657	1,107,289	896,539
Unrealized gain on changes in fair value of biological assets and other	(2,044,529)	(1,327,691)	(1,455,682)	(803,643)
Gross profit	$ 2,015,327	$ 2,015,327	$ 639,813	$ 639,813

For the year to date ended	Original accounting policy June 30, 2018	New accounting policy June 30, 2018	Original accounting policy March 31, 2018	New accounting policy March 31, 2018
Statement of cash flows				
Operating activities				
Realized fair value amounts included in inventory sold	$ 2,338,929	$ 1,679,196	$ 1,107,289	$ 896,539
Unrealized loss (gain) on changes in fair value of biological assets and other	(3,500,211)	(2,131,334)	(1,455,682)	(803,643)
	(1,161,282)	(452,138)	(348,393)	92,896
Change in non-cash working capital	(1,043,237)	(1,752,381)	(619,706)	(1,060,995)
Net effect on cash flows used in operating activities	$ (2,204,519)	$ (2,204,519)	$ (968,099)	$ (968,099)

b) New Standards Adopted in Current Year

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2018, except for:

IFRS 16, Leases ("IFRS 16"), was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

The Company also used the practical expedient to not recognize right-of-use assets and lease liabilities for leases, that have a remaining lease term of twelve months or less at date of adoption, as well as for leases of low value.

The Company recognizes a Right-of-Use asset and a lease liability at the lease commencement date. The Right-of-Use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by the lease payment made. The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for the previous period has not been restated.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 5.95%.

Operating lease commitment as December 31, 2018 as disclosed in the Consolidated Financial Statements	$	3,098,659
Discounted using the incremental borrowing rate at January 1, 2019		2,932,977
Recognition exemption for leases with less than 12 months of lease term at transition		(2,118,819)
Leases that have not commenced at January 1, 2019		(814,158)
Lease liabilities recognized at January 1, 2019	$	-

Future minimum lease payments as at March 31, 2019 are disclosed in Note 17. The Company is currently committed to future leases of $943,701, once commenced, will constitute a lease under IFRS 16 and the equipment will be presented in Right-of-Use assets, with a corresponding lease liability recognized. The Company has expensed $591,678 for leases with less than 12 months of lease term at transition for the period ended March 31, 2019.

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. As the Company has no uncertain tax treatments and had no recognized tax assets or liabilities, the adoption of this policy had no impact on the financial statements for the three months ended March 31, 2019.

4. Investments

(a) On March 14, 2018, a subsidiary of the Company purchased 1,666,667 common shares of Scorpion Resources Inc., renamed to Blockstrain Technology Corp. and subsequently renamed to TruTrace Technologies Inc. ("TruTrace"), for a total subscription price of $500,000. TruTrace delivers a secure and immutable blockchain platform to establish global certainty for cannabis strains and their ownership. For the three months ended March 31, 2019, the Company recorded the investment at FVTPL resulting in an unrealized gain of $291,667 (three months ended March 31, 2018: nil) being recorded on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. As at March 31, 2019, the Company valued the Shares at $508,333 (December 31, 2018: $216,667). This investment has been classified as level 1 in the fair value hierarchy.

(b) On March 16, 2018, a subsidiary of the Company purchased 2,500,000 common shares of Snipp Interactive Inc. for a total subscription price of $250,000. For the three months ended March 31, 2019, the Company recorded the investment at FVTPL resulting in an unrealized gain of $25,000 (three months ended March 31, 2018: $125,000) being recorded on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. As at March 31, 2019, the Company valued the Shares at $150,000 (December 31, 2018: $125,000). This investment has been classified as level 1 in the fair value hierarchy.

(c) On July 3, 2018, the Company was granted 860,000 shares of 3 Sixty Secure Corporation, renamed to 3 Sixty Risk Solutions Ltd. at a fair value of $137,259. The Company has recorded the shares at March 31, 2019, at $430,000 (December 31, 2018: $731,000) resulting in an unrealized loss of $301,000 (three months ended March 31, 2018: nil) being recorded on the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. This investment has been classified as level 1 in the fair value hierarchy. During the three months ended March 31, 2019, the Company moved the investment from level 2 to level 1, due to there being quoted prices in active markets the shares effective January 10, 2019.

(d) As a condition of holding an excise tax licence issued by the CRA, the Company is required to maintain adequate financial security for the duration of the licence. The amount of the security must be sufficient to cover the estimated duty liability for one month under the Excise Act, 2001. On July 18, 2018, the Company purchased 520,000 Government of Canada bonds which have a carrying value of $520,345 (December 31, 2018: $520,584). The bonds have a yield of 1.59% and mature on September 1, 2019.

(e) 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 March 31, 2019, $1,179,336 (December 31, 2018: $462,265) was included in Trade and Other Receivables owing from Pioneer Cannabis Corp.

5. Biological Assets and Inventory

The Company's biological assets consist of cannabis plants.

The change in the carrying value of the Company's biological assets are as follows:

Carrying amount, January 1, 2018	**$ 360,089**
Changes in fair value less costs to sell due to biological transformation	3,577,760
Biological assets sold	(1,719,620)
Production costs capitalized	4,899,646
Transferred to inventory upon harvest	(4,967,799)
Carrying amount, December 31, 2018	**$ 2,150,076**
Changes in fair value less costs to sell due to biological transformation	3,430,788
Biological assets sold	(6,488)
Production costs capitalized	1,974,174
Transferred to inventory upon harvest	(2,406,870)
Carrying amount, March 31, 2019	**$ 5,141,680**

All of the plants are to be harvested as agricultural produce or to be sold as live plants. All of the plants that are to be harvested are between one and thirteen weeks from harvest (December 31, 2018: one and fifteen weeks) and the life cycle is estimated to be ninety-seven to one hundred forty-two days (December 31, 2018: eighty-one to one hundred thirty-two days). Plants to be sold as live plants are zero to two weeks away from sale (December 31, 2018: zero to two weeks).

Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels.

To determine fair value the Company:

- Multiplies the expected yield in grams per plant and the expected selling price per gram;
- Deducts selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory from the expected selling price; and
- Applies a discount rate based on the number of days that the Company expects it will take to sell the yield from the biological assets.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Expected yield by plant adjusted for expected wastage – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each cannabis plant;
- Percentage of costs incurred to date compared to the total expected costs to be incurred per stage of growth and over the life of the plant are used to estimate the fair value of an in-process plant at each stage;
- Expected weighted average selling price per gram of harvested cannabis – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices;
- Expected number of days remaining in each stage of growth and over the life of the plant; and
- Expected number of days from harvest to sell the yield from biological assets

The Company estimates harvest yields for the plants at various stages of growth. As of March 31, 2019, it is expected that the Company's biological assets that are to be harvested will yield approximately 1,995,459 grams (December 31, 2018: 1,378,941 grams). Selling prices used in the valuation are based on a normalized historical average selling price, adjusted based on expected future sales mix of $5.18 (December 31, 2018: $5.16 per gram) of all dried cannabis sales and can vary based on the different strains produced. Weighted average historical selling price is expected to approximate future selling prices based on the expected mix of future medicinal, adult-use retail and bulk sales. The Company estimates percentage of costs incurred based on the stage of growth, as costs are not incurred evenly throughout the grow cycle. Plants on hand at March 31, 2019, have incurred an average of 74% of costs to harvest (December 31, 2018: 42%).

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The following table quantifies each significant unobservable input, and also provides the impact of a reasonable increase/decrease that each input would have on the fair value of biological assets.

	March 31, 2019 Actual	December 31, 2018 Actual	Percentage change used in sensitivity analysis	Change resulting from reasonable variance as at March 31, 2019	Change resulting from reasonable variance as at December 31, 2018
Selling price	$3.62 – 6.33	$3.41 – 6.33	10%	$849,033	$568,863
Yield by plant	68 grams	39 grams	15%	$357,014	$345,600
Average life cycle	115 days	96 days	10%	$71,010	$63,768
Percentage of costs to harvest incurred to date	74%	42%	10%	$85,287	$141,786
Average days to sell	339 days	344 days	15%	$94,490	$61,203

Inventory is comprised of $4,126,736 of harvested finished goods (December 31, 2018: $3,168,767), $157,069 of harvested work-in-progress (December 31, 2018: $863,903), $4,130,942 of cannabis extracts (December 31, 2018: $1,801,381) and $298,322 of consumable inventory (December 31, 2018: $nil). Inventory is valued at the lower of cost and net realizable value.

6. Property, Plant and Equipment

Total amortization for the three months ended March 31, 2019 was $410,299 (three months ended March 31, 2018: $132,293), of which $61,424 (three months ended March 31, 2018: $22,756) has been capitalized in inventory, $240,953 has been capitalized to biological assets (three months ended March 31, 2018: $93,896) and $107,922 (three months ended March 31, 2018: $15,640) is included in amortization expense.

On March 5, 2018, the Company purchased the land and building of the Aylmer Facility for $1,500,000.

On March 29, 2019, the Company exercised its option to purchase the 98-acre Strathroy property. The property includes 610,000 sq. ft. of greenhouses and 100,000 sq. ft. of ancillary structures. The Company entered into a lease agreement with the option to purchase the property on November 21, 2017. As a deposit the Company issued 3,000,000 shares and 3,000,000 warrants, of which were valued at $3,299,341 and $2,593,009 respectively, for a total valuation of $5,892,350. The balance due upon the exercise of the option to purchase was $22.6 million, of which $17.6 million was paid in cash and $5 million was satisfied by the issuance of 2.5 million units ("Units") in the capital of WeedMD.

As at March 31, 2019, properties and improvements with a carrying value of $56,293,335 (December 31, 2018: $32,115,404), were not yet available for use. As such, the cost of these assets has been capitalized but not yet amortized. Included in the properties and improvements is capitalized borrowing costs in the amount of $700,000.

As of March 31, 2019, software with a carrying value of $315,276 (December 31, 2018 – $372,377), was not yet available for use. As such, the cost of the asset has been capitalized but not yet amortized.

7. Convertible Debentures

	Debentures	Warrants (Contributed surplus)	Conversion Feature	Total
Balance, January 1, 2018	**$ 11,351,671**	**$ -**	**$ 2,607,546**	**$ 13,959,217**
Conversion of debentures	(12,013,120)	-	(2,607,546)	(14,620,666)
Accretion of debentures	661,449	-	-	661,449
Balance, December 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**

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.

8. Loans & Borrowings

On March 29, 2019, the Company entered into combined secured credit agreements totalling $39.1 million (collectively, "Credit Facilities"). The Credit Facilities are comprised of the following:

(i) Facility 1: $3,000,000 committed Revolving Credit Facility (the "Revolver");
(ii) Facility 2: $33,150,000 committed term loan;
(iii) Facility 3: $3,000,000 committed term loan.

The Credit Facilities mature March 29, 2022 ("Maturity Date") 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. Total borrowing costs for the Credit Facilities were $0.4 million. Under the terms of the Credit Facilities, the Company is also subject to certain customary financial and non-financial covenants and restrictions. In addition, the Credit Facilities are secured by a first priority lien on substantially all of the Company's personal and real property and assets. In addition, Facility 2 and 3 required $3.0 million of the proceeds to be held as a debt service reserve and will be released in eighteen months upon satisfactory review or when the Company's twelve-month trailing EBIDTA less cash taxes and unfunded capital expenditures exceed $10 million.

Facility 1 requires interest only payments with the balance due on the Maturity Date. The outstanding balance at any point shall not exceed the Borrowing Base. As at March 31, 2019, the Revolver has not been drawn.

Facility 2 requires interest only payments until June 30, 2020 or such later date agreed upon ("Conversion Date"), at which point the principal will become payable and will amortize over ten years with the remaining due upon the Maturity Date.

Facility 3 requires interest only payments until the Conversion Date, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date.

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ration of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1.

The Company is also required to maintain $100,000 as security for the Company's corporate credit cards. Both the credit card security and the debt service reserve are kept as restricted cash.

For the three months ended March 31, 2019, the Company was compliant with the applicable covenants.

9. Share Capital

Unlimited common shares

	Note	Number of Shares	Amount
Balance as at January 1, 2018		**78,250,222**	**$34,029,538**
Conversion of debentures	7	12,500,000	14,620,666
Shares issued upon prospectus offering	9(a)	16,046,511	29,352,724
Shares issued for stock options exercised	11(i)	1,808,229	1,767,147
Shares issued for broker compensation option exercise	11(g)	176,000	200,200
Shares issued for warrants exercised	10(d)	2,347,102	2,111,908
Shares issued for compensation warrants exercised	10(c)	142,500	238,293
Share issuance costs	9(a)	-	(2,627,835)
Balance as at December 31, 2018		**111,270,564**	**$79,692,641**
Shares issued for stock options exercised	11(i)	92,708	86,668
Shares issued for property purchase	9(b)	2,500,000	4,251,692
Balance as at March 31, 2019		**113,863,272**	**$84,031,001**

a) On January 11, 2018, the Company closed a short form prospectus offering with a total of 16,046,511 units of the Company ("Units") sold at a price of $2.15 per Unit (the "Issue Price") for aggregate gross proceeds of $34,499,999 (the "Prospectus Offering").

Each Unit consists of one Share of the Company and one-half of one share purchase warrant (each whole warrant a “Warrant”). Each Warrant entitles the holder thereof to purchase one Share at an exercise price of $2.90, until January 11, 2020, with early acceleration in the event the weighted average price of the Shares on the TSXV is equal to or greater than $4.20 for any 20 consecutive trading days. The Company has recognized $29,352,724 as the value of the Shares issued, and $5,147,275 as the value of the warrants issued (see Note 10(b)).

As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Prospectus Offering. The Company also issued a total of 470,890 compensation options to the Underwriters (Note 11(a)). Each compensation option is exercisable into one Unit at the Issue Price until January 11, 2020 (see Note 11(a)). In relation to the short-term prospectus the Company has incurred total unit issuance costs of $3,088,650, of which $2,627,835 has been allocated to shares, and $460,815 has been allocated to warrants.

b) On March 29, 2019, the Company exercised its option to purchase the 98-acre Strathroy property. The balance due upon the exercise of the option to purchase was $22.6 million, of which $17.6 million was paid in cash and $5 million was 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 $1.98 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. The units were valued as $5,024,161 of which the shares and warrants were valued at $4,251,692 and $772,469 respectively.

10. Warrants

	Note	Number of Warrants	Exercise Price
Balance as at January 1, 2018		5,605,647	
Debenture warrants expired	10(a)	(8,521)	
Warrants issued (January 11, 2018) on prospectus offering	10(b)	8,023,256	$2.90
Broker compensation warrants exercised	10(c)	(230,500)	
Broker compensation warrants issued	11(g)	88,000	$0.80
Warrants exercised	10(d)	(2,222,127)	
Balance as at December 31, 2018		11,255,755	
Warrants issued on property purchase	9(b)	625,000	$2.50
Balance as at March 31, 2019		11,880,755	

a) On January 8, 2018, 8,521 warrants expired as a result of the acceleration announced on December 5, 2017.

b) On January 11, 2018, in connection with the Prospectus Offering (Note 9(a)) the Company issued a total of 8,023,256 warrants. Each warrant is exercisable into one Share at $2.90 until January 11, 2020. The fair value of the warrants was estimated to be $5,147,275 with reference to the Monte Carlo option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 82%; (iii) risk-free rate of 1.73%; (iv) unit price of $2.90; (v) forfeiture rate of 0; (vi) expected life of two years. The Monte Carlo option pricing model was deemed applicable to these warrants as they have accelerated vesting terms based on the volume weighted average trading price of the outstanding common shares on the TSX Venture Exchange. The Black Scholes option pricing model does not address the accelerated vesting terms, and potential change in the time to the warrant's expiry. The Company recognized $460,815 as warrant issue costs related to this transaction.

c) 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 (Note 11(g)). The Company recognized the fair value of the warrants of $67,293 in the value of the Shares issued.

d) 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.

Warrant pricing models require the input of subjective assumptions and changes in the input assumptions can materially affect their fair value estimated. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on the zero-coupon government of Canada bonds with a remaining term equal to the expected life of the warrants. The Company used the same assumptions to calculate options (Note 11).

11. Contributed Surplus

The Corporation has established a stock option plan for its directors, officers, employees and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

As at March 31, 2019, the Company's outstanding stock options consists of the following:

	Note	Number of options	Contributed surplus	Exercise price
Balance as at January 1, 2018		**3,818,432**	**$ 1,092,579**	
Broker compensation options granted	11(a)	470,890	807,000	2.15
Stock options granted	11(b)	3,013,000	3,589,723	2.36
Stock options granted	11(c)	500,000	368,960	1.80
Stock options granted	11(d)	130,000	84,716	1.74
Stock options granted	11(e)	2,105,000	975,737	2.07
Stock options granted	11(f)	420,000	133,961	1.95
Share based compensation		-	217,661	
Stock options exercised	11(i)	(1,808,229)	(579,824)	
Broker compensation options exercised	11(g)	(88,000)	(77,000)	
Stock options cancelled		(218,840)	-	
Stock options forfeited		(318,750)	-	
Balance as at December 31, 2018		**8,023,503**	**$ 6,613,513**	
Stock options granted	11(j)	2,868,000	970,920	1.53
Stock options exercised	11(i)	(92,708)	(31,041)	
Stock based compensation		-	1,062,511	
Stock options cancelled		(155,937)	-	
Stock options forfeited		(432,500)	-	
Balance as at March 31, 2019		**10,210,358**	**$ 8,615,903**	

At March 31, 2019, 10,210,358 (December 31, 2017: 8,023,503) Shares have been reserved for stock options as follows:

Exercise Price	Number of options outstanding	Number of options exercisable	Weighted average remaining life (years)	Weighted average exercise price
$0.60	44,000	44,000	0.04	
$0.60	1,721,343	1,618,456	2.04	
$0.80	62,500	54,688	0.04	
$2.15	470,890	470,890	0.78	
$2.36	2,143,000	1,160,250	3.79	
$1.80	500,000	187,500	4.13	
$1.74	130,000	48,750	4.22	
$2.07	1,850,625	529,792	4.44	
$1.95	420,000	62,500	4.54	
$1.53	2,868,000	38,000	4.78	
	10,210,358	4,214,826	3.76	$1.70

a) On January 11, 2018, in connection with the Prospectus Offering (Note 9(a)) the Company issued a total of 470,890 compensation options to the underwriters. Each compensation option is exercisable into one Unit at an exercise price of $2.15 until January 11, 2020. The fair value of the compensation options was estimated to be $807,000 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 82%; (iii) risk-free rate of 1.76%; (iv) unit price of $3.10; (v) forfeiture rate of 0; (vi) expected life of 24 months.

b) 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 three months ended March 31, 2019 is $282,914 (three months ended March 31, 2018: $nil).

c) 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 three months ended March 31, 2019 is $84,340 (three months ended March 31, 2018: $nil).

d) 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 three months ended March 31, 2019 is $23,259 (three months ended March 31, 2018: $nil).

e) 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 three months ended March 31, 2019 is $497,665 (three months ended March 31, 2018: $nil).

f) 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 three months ended March 31, 2019 is $167,882 (three months ended March 31, 2018: $nil).

g) 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.

h) During the three months ended March 31, 2019, share based compensation in the amount of $6,451 was recorded for stock options issued prior to January 1, 2018.

i) During the three months ended March 31, 2019, 92,708 stock options were exercised (year ended December 31, 2018: 1,808,229) for net proceeds of $55,627 (year ended December 31, 2018: $1,187,323). Shares issued upon exercise of options had a weighted average fair value of $1.97 (year ended December 31, 2018: $1.85) at the time of exercise.

j) On January 9, 2019, the Company granted 2,868,000 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 $1.53, until January 10, 2024. 640,000 of the options vest over the calendar quarters of 2019, 600,000 of the options vest over 24 months, 1,490,000 of the options vest over 36 months, 100,000 of the options vest upon completion of specified milestones to be determined by the Board of Directors and 38,000 of the options vest immediately. 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 1.91%; (iv) share price of $1.53; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $2,959,634. Total share-based compensation for the three months ended March 31, 2019 is $970,920.

12. Income Taxes

The Company has no income tax provision as non-capital tax loss carry forwards exceed taxable income. The Company has $10,452,540 of non-capital tax losses for which the benefit has not been recognized.

13. Earnings per Share

For the three months ended March 31,	**2019**	2018
Basic loss per share:		
Loss attributable to holders of shares	**$ (2,403,887)**	$ (1,321,497)
Weighted average number of shares outstanding	**111,385,193**	96,099,846
	(0.02)	(0.01)

For the three months ended March 31,	**2019**	2018
Diluted Loss per share:		
Loss attributable to holders of shares	**$ (2,403,887)**	$ (1,321,497)
Weighted average number of shares - diluted	**113,254,672**	96,099,846
	(0.02)	(0.01)

14. Change in Non-cash Operating Working Capital

For the three months ended March 31,	**2019**	2018
Trade and other receivables	**$ (2,432,712)**	$ (62,831)
Prepaid expenses and deposits	**(257,518)**	(131,910)
Inventory	**(2,745,089)**	(512,959)
Commodity tax receivable	**(1,197,324)**	(927,371)
Accounts payable and accrued liabilities	**2,545,495**	574,076
	$ (4,087,148)	$ (1,060,995)

15. Revenue

For the period ended March 31,		2019		2018
Direct to patient				
Dried cannabis	**$**	**296,452**	$	218,532
Cannabis plants and seeds		**8,492**		10,420
Cannabis extracts		**132,135**		26,264
Other		**496**		10,934
	$	**437,575**	$	266,150
Wholesale				
Dried cannabis	**$**	**2,983,413**	$	132,476
Cannabis plants and seeds		**-**		688,840
Cannabis extracts		**271,820**		4,875
Other		**-**		50,000
	$	**3,255,233**	$	876,191
	$	**3,692,808**	$	1,142,341

16. Related Party Transactions

The Company's key management includes CEO, CFO, Chairman of the Board, and the Chairman of the Compensation Committee. Transactions with related parties include:

- Salaries and service fees; and
- Loans payable are not interest bearing and are 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:

		March 31, 2019		December 31, 2018
Accounts payable and accrued liabilities	**$**	**230,410**	$	119,801
	$	**230,410**	$	119,801

For the three months ended March 31, 2019 and 2018, total remuneration/service fees paid, and interest paid to the key management is as follows:

		March 31, 2019		March 31, 2018
Share based compensation	**$**	**373,179**	$	-
Salaries		**126,570**		160,500
Fees		**116,316**		18,612
	$	**616,065**	$	179,112

During the three months ended March 31, 2019, 297,500 stock options (three months ended March 31, 2018: 1,700,000) were issued with fair value of $307,005 (three months ended March 31, 2018: $2,706,936) with a recorded share-based compensation of $140,431 (three months ended March 31, 2018: $nil) to certain key management personnel.

17. Commitments

The lease commitment schedule is outlined in the below table:

Within 1 year	$	201,850
Within 2 years		191,947
Within 3 years		190,668
Within 4 years		193,668
Beyond 4 years		187,029
	$	965,162

18. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of convertible debt, loans and borrowings approximate carrying values as cash flows are discounted using a market rate of interest.

(b) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to price risk with respect to marketable securities and bonds. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at March 31, 2019, had changed by 25%, with all other variables held constant, the unrealized gain (loss) would have decreased or increased to be $272,083 (March 31, 2018: $218,750).

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is not exposed to any significant credit risk other than trade and other receivables which has a balance of $4,533,909 (December 31, 2018: $2,100,957). Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables are from government bodies and participants in the cannabis industry and are received within a short period of time. As at March 31, 2019 and December 31, 2018, there are no receivables that are impaired. Management expects credit risk to be minimal.

Aging of trade receivables that are past due, but not impaired are as follows:

	March 31, 2019	December 31, 2018
0 to 30 days past due	**$ -**	$ 407
31 to 60 days	**-**	209
Over 60 days	**34,771**	35,196
Total past due	**$ 34,771**	$ 35,812

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due. The Company has total current liabilities of $13,521,835 (December 31, 2018: $10,976,340) with cash and cash equivalents on hand of $16,853,647 (December 31, 2018: $21,223,641). In the opinion of management, the liquidity risk exposure to the Company is low.

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of management, the cash flow risk exposure to the Company is low.

19. Capital Management

The Company includes equity, comprised of shares, warrant reserve, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

(i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and

(ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

20. Subsequent Events

a) Strathroy expansion

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

b) Strathroy licence

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

c) Aylmer Facility licence

On May 24, 2019, the Aylmer Facility secured a licence amendment for the addition of its new automated packaging room.