WeedMD Inc.

Form 51 – 102 F1

Management Discussion & Analysis

First Quarter Ended March 31, 2019

Effective Date – May 30, 2019

INTRODUCTION

The following Management Discussion & Analysis ("MD&A") of WeedMD Inc.'s (the "Company" or "WeedMD") financial condition and results of operations, prepared for the three months ended March 31, 2019 ("Q1 2019") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2019 and the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2018 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.

This MD&A, and the financial data within, is based on the Interim Financial Statements of the Company for Q1 2019 and were prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") unless otherwise stated.

The financial information in this MD&A contains certain financial performance measures that are not defined by and do not have any standardized meaning under IFRS; and are used by management to assess the financial and operational performance of the Company. These include, but are not limited to, the following:

Cost per gram;
Average cost per gram;
Cultivation cost per gram;
Adjusted EBITDA

The company has no operations in the U.S. and does not engage in any unlawful U.S. marijuana-related activities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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.*

BUSINESS OVERVIEW

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.") facility in Aylmer, Ontario, and a 158-acre property that includes a 610,000 sq. ft. large-scale state-of-the-art greenhouse facility located in Strathroy, Ontario. The Company currently has 136,000 sq. ft. of licensed production space across its facilities and is expected to have a total licensed production footprint of more than 550,000 sq. ft. of indoor and greenhouse production in addition to 27 acres of outdoor cultivation space online in 2019. WeedMD has a multi-channeled distribution strategy that includes supply and purchase agreements with Shoppers Drug Mart ("Shoppers"), six different provincial distribution agencies as well as through strategic relationships with other LP's and across the seniors' market in Canada.

The condensed interim consolidated financial statements of WeedMD Inc. as at March 31, 2019 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. The registered and head office of WeedMD is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

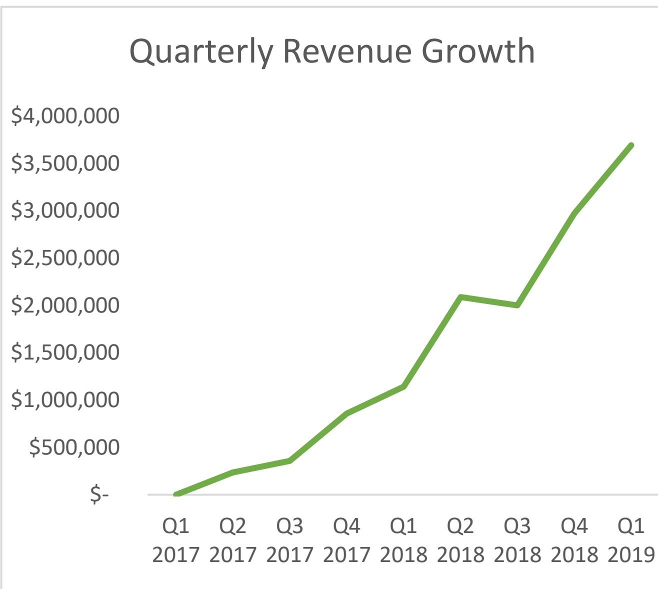
RECENT HIGHLIGHTS

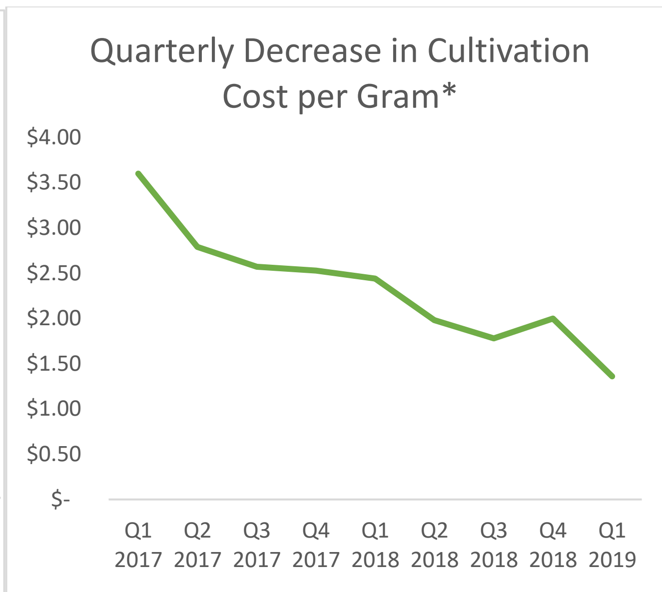
- Net revenue in the quarter was $3,335,788, continuing the Company's consistent record of revenue increases and representing an increase of $613,451 or 23% from the prior quarter.
- Gross profit before changes in fair value was 15% representing an improvement of 24% from the prior quarter. Margins will improve in the coming quarters when the Company's cultivation facilities reach increased utilization.
- Successfully completed first harvests from the 60,000 sq. ft. Phase II at its Strathroy facility, which was licensed in December 2018. The finished product from these harvests have been made available for sale in Q2 2019.
- Added the Saskatchewan Liquor and Gaming Authority ("SLGA") and the Manitoba Liquor and Lotteries Corporation ("MBLL") to its list of provincial distribution networks, which also includes the provinces of Ontario, Nova Scotia, Alberta and British Columbia.
- Completed its first shipments of medical cannabis to Shoppers Drug Mart.
- Purchased the 98-acre property in Strathroy where its 610,000 sq. ft. greenhouse facility and associated infrastructure reside. The Company funded the transaction with a $39 million credit facility from BMO.
- Completed the build-out of its 27-acre Phase I outdoor cultivation site at its Strathroy property. The Company has cannabis plants ready to be planted as soon as the licence is secured from Health Canada.
- Purchased the 60-acre property that is adjacent to its Strathroy property, which will allow the Company to increase its Phase II outdoor cultivation to 100 acres in 2020.
- The Company holds $13,854,749 of inventory and biological assets as of March 31, 2019, an increase of $5,870,622 or 74% from the prior quarter.
- Formed a partnership with Pita Pit to launch Pioneer Cannabis Corp, a service provider and franchisor for the cannabis retail market. Pioneer provides retailers with a variety of services including licensing and security process assistance, point of sale and payment systems, marketing services, and cannabis educational programs.
- Pioneer partnered with a retailer and is currently completing its first store which is expected to open in Q3 2019 in Burlington, Ontario.

- Appointed Derek Pedro to Chief Cannabis Officer, solidifying his more than 20 years of cultivation expertise. In addition, compliance expert Dr. Alex Sibilev was appointed Vice President, Quality Assurance & Global Regulatory Compliance. On April 25th, the Company also confirmed the appointment of Nichola Thompson as Chief Financial Officer.
- Secured a processing licence from Health Canada for its Strathroy facility, the first step towards obtaining its finished goods sales licence for this location.
- Initiated the conversion of its flagship Aylmer facility into a large-scale cannabis extraction and processing hub.

KEY FINANCIAL HIGHLIGHTS

WeedMD is on the cusp of recognizing significant economies of scale from a fully operational 12-acre greenhouse, 27-acres of outdoor cultivation and automated packaging. In the three months ended March 31, 2019, the Company has continued to demonstrate an increasing sales trend along with a trend of decreasing cultivation cost per gram.





* Cultivation cost per gram represents the cost of cultivation from clone to point of harvest

CORPORATE STRATEGY

WeedMD is a vertically integrated cannabis company focused on supplying its medical and adult-use customers with top quality cannabis products. The Company is committed to using a disciplined capital approach to build an industry leading production and distribution platform.

The Company is set to deliver steady production output increases throughout 2019 with an expected production platform of more than 75,000 kgs per annum online by the end of the year increasing to more than 150,000 kgs in 2020. Throughout the remainder of 2019, the Company also intends to expand its product offerings, significantly scale up its in-house extraction operations, seek strategic partnerships with industry leaders as well as expand internationally.

The Company is positioned to be a leader in the production of outdoor cannabis as it awaits approval for its licence amendment from Health Canada to become one of the select Canadian LP's to cultivate cannabis outdoors. The cultivation team has its own proprietary strains of cannabis for Canadian outdoor production which will provide a strategic edge as the Company looks to reduce the cost of cannabis production.

The Company's partnerships with Phivida, TruTrace Technologies, and Pioneer Cannabis are testaments to WeedMD's philosophy that capital-light partnerships with key industry participants will enable the Company to achieve and maintain success as the cannabis industry evolves.

Scaling a Platform for Growth

WeedMD is in the late stages of completing the final phase of fully funded 550,000 sq. ft. state-of-the-art greenhouse in Strathroy, transitioning the Company into one of the leading cannabis producers in Canada in 2019 and beyond. The Company has also completed the first of two phases to grow outdoor cannabis on over 100 acres of cost-effective, workable outdoor land at its Strathroy facility. With the first 27-acres expected to be licensed during the three months ended June 30, 2019, the Company is on pace to produce one of the first legal harvests of Canadian outdoor cannabis.

As WeedMD scales up to more than 150,000 kgs of cannabis annually, the Company recognizes the need to vertically integrate and expand on its ability to produce a larger array of products at scale for the expanding consumer cannabis market. As such, the Company is currently converting its 26,000 sq. ft. Aylmer facility to become an expandable, large-scale extraction and processing facility that is expected to be online in Q3 2019.

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*	26,000 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)	5.2M sq ft

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

Licences

WeedMD currently holds licences at two facilities owned by the Company in Aylmer & Strathroy. Between both of these locations, the Company holds licences to cultivate and sell dried cannabis, live cannabis plants and genetics, as well as process and sell cannabis extracts.

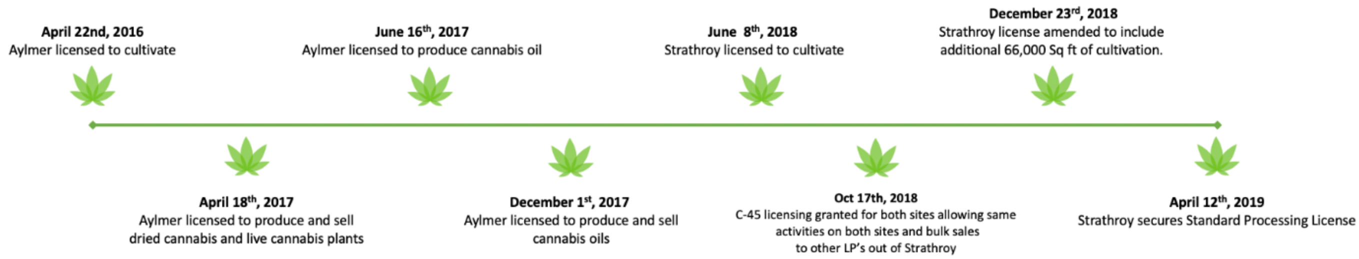
On November 22, 2017, WeedMD announced a definitive lease and purchase agreement with Perfect Pick Farms Ltd. for a large-scale modern greenhouse in Strathroy (see "Greenhouse Expansion"). On June 8, 2018, WeedMD secured its cultivation licence for the first 44,000 sq. ft. of space at the Strathroy facility and successfully commenced operations with the first harvests completed in early September 2018.

On November 9, 2018, WeedMD secured its licences under the Cannabis Act for both of its locations. The new licensing regime permitted the same activities as under the previous 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, including 60,000 sq. ft. of cultivation space, in the Strathroy facility, bringing total licensed production space to 110,000 sq. ft.

On April 12, 2019, the Strathroy facility was granted a standard processing licence.

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



Licences Awaiting Approval

The Company is currently awaiting a Health Canada licence amendment for its 27-acre Phase I of outdoor cultivation at its Strathroy facility.

The next 110,000 sq. ft of greenhouse space is also complete and will be the next expansion amendment to be secured from Health Canada.

Once the Company has secured these amendments, WeedMD will submit amendment requests for the next 308,000 sq. ft. of greenhouse cultivation space in Strathroy.

Distribution

As of May 30, 2019, WeedMD held distribution agreements with the following provinces and companies:

- **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 is supplying its high-quality, branded cannabis for distribution across Canada in both the medical and adult-use markets. Upon federal legalization, the Company was positioned to be amongst the first companies receiving and delivering purchase orders and remains successful in delivering a steady supply of cannabis to meet its provincial obligations.

In 2018, WeedMD signed 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.

In Q1 2019, the Company added both the Saskatchewan Liquor and Gaming Authority ("SLGA") and the Manitoba Liquor and Lotteries Corporation ("MBLL") to its list of provincial distribution networks to supply its branded cannabis products. In addition to Saskatchewan and Manitoba, WeedMD's premium-quality cannabis products are currently available in Ontario, Nova Scotia, Alberta and British Columbia, enabling it to access roughly 70% of the Canadian population in the adult-use market.

On June 20, 2018, the Company entered into an agreement to become a medical cannabis supplier to Shoppers. On September 25, 2018, Shoppers received a cannabis production licence from Health Canada, allowing it to launch its medical cannabis platform. WeedMD has completed its first shipments to Shoppers and its products are currently available through this channel.

The Company also distributes its products directly to medical patients across the country.

STRATEGIC UPDATES

TruTrace announcement

On January 15th, the Company along with TruTrace Technologies (formerly BLOCKStrain) completed a 'first-of-its-kind' cannabis strain validation registration program – a testing and verification process that will confirm cannabis strains are as purchased.

Under the program, TruTrace's team collects plant data and performs genomic sequencing in plant batches which are then registered in a blockchain-enabled database for intellectual property protection and strain validation.

A total of 40 active cannabis strains from the Company's genetics bank are able to be cross-referenced as verifiable strains in the TruTrace database

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 providing seniors as well as compassionate pricing discounts. In May 2019, the Company had a record number of unique WeedMD strains available for purchase on its medical website, including Pedro's Sweet Sativa, Blueberry Seagal, Cold Creek Kush, Ghost Train Haze, Green Kush, Mango Haze, Shishkaberry and White Shark.

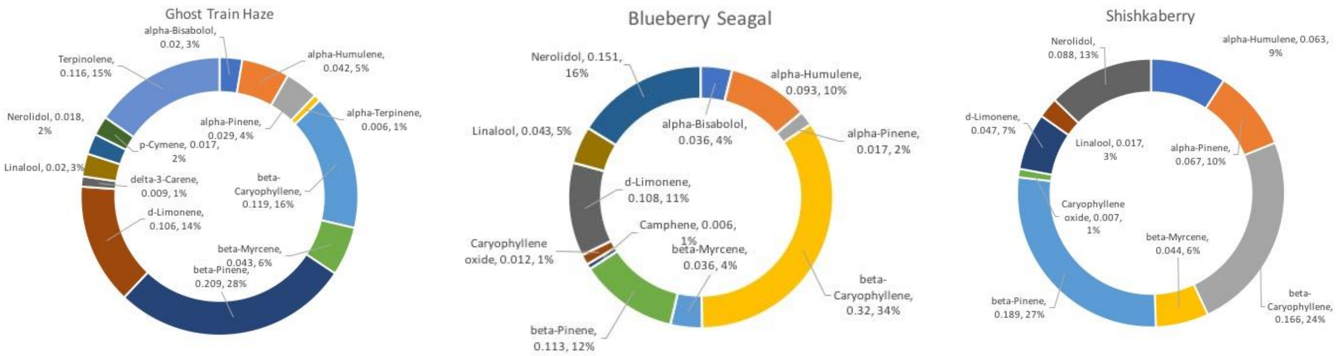
Entry into Ontario Retail

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%.

Pioneer has built a platform that allows Canadians to realize the goal of owning and operating their own cannabis retail store. Pioneer provides 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 with a retailer to open its first Pioneer store, which is expected to open in Burlington, Ontario in Q3 2019.

WeedMD's Leading Genetics Library



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.

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.

Senior Care Market

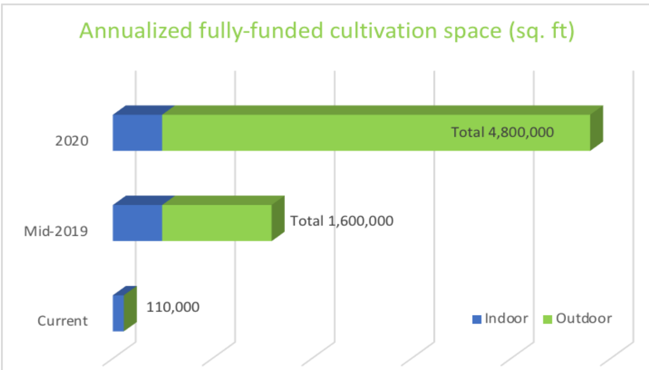
WeedMD is the first licensed producer in Canada to enter into multiple preferred cannabis supply contracts with long-term care ("LTC") providers, a market representing more than 400,000 high-value potential patients. With a history of collective senior care industry experience across the management team, 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, and Kensington Health Centre.

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 niche 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, generated by higher, more consistent consumption and a more operationally efficient patient acquisition and distribution model.

Operational Highlights

Strathroy 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, much of which has now been retrofitted for cannabis cultivation. On March 29, 2019, WeedMD exercised its option to purchase the property (see below Purchase of Strathroy Facility).

The initial 44,000 sq. ft. phase of development at the greenhouse was licensed in June 2018, with the first harvests completed in early September 2018. Phase II, representing 66,000 sq. ft., was licensed in December 2018 and has now successfully produced its first harvests. The next 110,000 sq. ft. of hybrid greenhouse (Phase III) is now complete and ready to be licensed. In addition to the hybrid greenhouse, WeedMD has almost completed the retrofit of a further 308,000 sq. ft. of greenhouse space for traditional grow operations (Phase IV), which will bring total cultivation square footage to 528,000 sq. ft., and total annual greenhouse production capacity to more than 50,000 kgs.

Purchase of Strathroy Facility

On March 29, 2019, WeedMD exercised the option to acquire a 100% interest in the property for $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 $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.

Total investment in the Greenhouse expansion is as follows:

Balance as at	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Improvements	**40,319,298**	35,034,986	23,017,921	15,481,688	9,171,332
Property purchase	**29,106,016**	-	-	-	-
Cumulative total	**69,425,314**	35,034,986	23,017,921	15,481,688	9,171,332

Purchase of Adjacent Property

On April 9, 2019, WeedMD purchased the property adjacent to the Strathroy facility. The purchase included 60 acres of prime agricultural land adjacent to its Phase I of outdoor cultivation, increasing its total workable outdoor land to over 100 acres.

Outdoor Grow Expansion

On March 27, 2019, WeedMD announced that it had applied for an amendment to its Strathroy licence to expand beyond its existing greenhouse cultivation with a large-scale, low-cost, outdoor cannabis grow operation. The Company also confirmed it had secured the support of the Municipality of Strathroy-Caradoc for its planned outdoor grow.

Cultivation and licensing of the outdoor grow will be done in two phases. Phase I, representing 27-acres, is now complete and waiting for Health Canada licence approval. The Company has plants ready to be transplanted for the 2019 growing season once this approval is received.

The purchase of the adjacent property on April 9, 2019 will allow the Phase II outdoor expansion to increase to a total of up to 100 acres of outdoor cultivation. The Company believes production costs for its outdoor grown cannabis will be significantly lower than that of indoor or greenhouse grown product.

As of May 30, 2019, the Company is ready to cultivate outdoors:

- Completed fencing around perimeter of 27 acres
- Installed perimeter cameras
- Installed staff only key tag entry
- Installed motion sensors throughout fencing perimeter
- Installed irrigation systems
- Prepared the field for planting
- Produced over 20,000 clones onsite of proven successful outdoor strains

Production Progress

During the quarter, WeedMD sold the first cannabis derived from its Strathroy facility. From the beginning of operations, Strathroy has harvested 3,306 kgs, of which over 69% was harvested near or subsequent to the end of Q1 2019. During Q1 2019 WeedMD sold 566 kgs of the Strathroy facility product. As of March 31, 2019, the Company was cultivating in 8 rooms in the 110,000 sq. ft. of licensed production space. As of May 30, 2019, WeedMD has completed construction on the next 10 rooms or 110,000 sq. ft. of production space, which is now ready to secure a licence from Health Canada to begin cultivation.

Packaging Automation

The Company has been working towards the automation of its packaging with the installation of semi-automated packaging and labelling lines at the Aylmer facility. The licence amendment for the new packaging room was received on May 24, 2019. Once fully calibrated and online, this is expected to result in significant improvements in our ability to efficiently package cannabis products yielding higher gross margins beginning in Q3 2019. As a next step, the Company is also currently developing large scale fully automated packaging lines at its Strathroy facility that is expected to be operational in early 2020.

Strathroy Construction and Licensing Timetable

As of December 31st, 2018, the Company has secured cultivation licences for Phase I and Phase II of its Strathroy expansion, providing 110,000 sq. ft. of production space that includes ten hybrid-greenhouse cultivation rooms. All of these rooms are currently in production.

As of May 30, 2019, the Company has completed the build-out and preparation of its 27-acre Phase I outdoor grow and is waiting for regulatory approval to commence outdoor cultivation.

The Company has completed Phase III of the hybrid greenhouse, representing an additional 110,000 sq. ft. of hybrid greenhouse production space that includes an additional 10 rooms, or 100,000 sq. ft. of cultivation space, which the Company expects will be licensed and online in the third quarter of 2019.

The Company anticipates it will complete Phase IV construction of two large traditional greenhouse rooms by June 30, 2019. This phase of the Strathroy expansion includes more than 300,000 sq. ft. of production capacity which the Company expects to plant and harvest in 2019.

On April 10, 2019, the Company purchased another 60-acres of adjacent land bringing total planned Phase II of outdoor cultivation to 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 I	Hybrid GH	Complete	June 2018	44,000	Sq Ft	4	Cultivation, Sale
Phase II	Hybrid GH	Complete	December 2018	66,000	Sq Ft	6	Cultivation, Sale
Phase III	Hybrid GH	Compete	July 2019 (expected)	110,000	Sq Ft	10	Amendment to existing licence
Phase IV	Standard GH	June 2019	Q4 2019 (expected)	308,000	Sq Ft	2	Amendment to existing licence
Total Indoor				**528,000**		**22**	
Outdoor		**Expected Construction Completion**	**Expected Licence Issue Date**	**Cultivation Space (Sq Ft)**	**Cultivation Space (Acres)**	**Cultivation Zones**	**Licences**
Phase I	Outdoor	May 2019	June 2019	1,100,000	27	1	Amendment submitted
Phase II	Outdoor	Q2 2020	Q2 2020	3,200,000	73	3	Amendment to existing licence
Total Outdoor				**4,300,000**	**100**	**4**	
Consolidated				**4,828,000**	**112**		

Shoppers Drug Mart

During the three months ended March 31, 2019, the Company made its first two shipments to Shoppers, with both its dried cannabis and cannabis extract products now available on the Shoppers website.

Cannabis Beverages Inc.

On August 15, 2018, the Company entered into a final definitive joint venture agreement with Phivida Holdings Inc. (CSE:VIDA), to develop and operate Cannabis Beverages Inc ("CanBev"). Both companies are 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.

International Footprint

In addition to Canada, WeedMD has announced partnerships and commercial activities in Australia and Israel, with plans to selectively enter further international markets. The Company will continue to evaluate unique opportunities to leverage its human capital in cultivation and superior cannabis genetics to create value-added partnerships internationally. The Company has successfully completed multiple exports of cannabis genetics to companies in both Australia and Israel.

THE CANADIAN REGULATORY ENVIRONMENT FOR CANNABIS

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 2014 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.

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. The Cannabis Act came into force on October 17, 2018.

Regulations vary from province to province. 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 marketing, packaging and labelling
- Allowing for the production and sale of new product forms such as pre-rolled cannabis, vaporization cartridges, concentrates and edibles (in Fall 2019)

The Cannabis Act states that it will authorize the legal sale by Licensed Producers, including WeedMD, of “edibles containing cannabis” and “cannabis concentrates” one year following legalization of the regulated adult-use cannabis market unless amended before October 17, 2019. In December 2018, draft amendments to the Cannabis Regulations (Canada) were published for comment to address public health and safety risks associated with edibles and concentrated cannabis products. The draft legislation would enable a range of cannabis product forms by regulating three new product classes: “edible cannabis”, “cannabis extracts” and “cannabis topicals”.

In the United States of America, multiple legislative reforms related to cannabis are currently being considered by the federal government. On December 20, 2018, the Farm Bill or the Agriculture and Nutrition Act, H.R. 2 legalized the cultivation of Hemp for CBD and other cannabinoid products, excluding the federal mandate of THC products. Currently, the U.S. has no law allowing for the sale of cannabis federally, however, several states have independently set rules for which cannabis is governed at a state level.

Industry Highlights

According to the most recent report by Statistics Canada,

> ***“***Since legalization, individuals purchasing dried cannabis from legal sources have paid an average of $9.99 per gram, while those purchasing from illegal sources have paid an average of $6.37 per gram. Prior to legalization, the average price for illegally purchased dried cannabis was $6.79 per gram. The purchase price from legal sources was, on average, 56.8% higher than the purchase price from illegal sources, according to

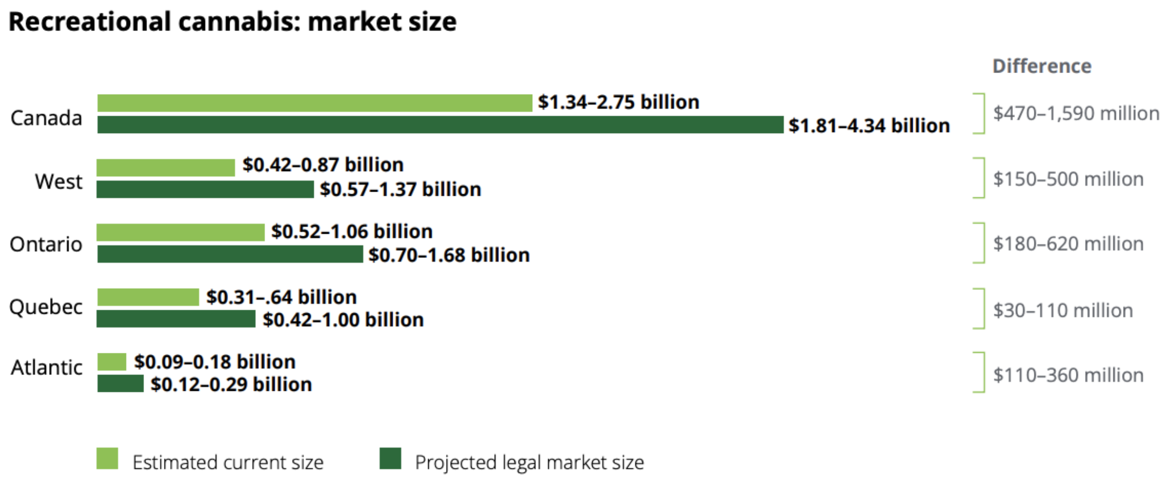
> the crowdsourcing data. Consumers purchasing from an in-store government-licensed retailer paid $10.73 per gram, making this source of purchase the most expensive."

Legal purchases of cannabis now represent roughly 47% of the cannabis market or 2.5 million Canadians purchasing cannabis legally. This figure is up 23% since the same quarter last year.

In a report by BMO, dated March 14, 2019, BMO theorized that "a shortage of high quality dried flower for experienced and discerning users" was the result of larger LPs ramping production quickly but producing "sub-optimal cultivation and post-harvest processes that require less time but yield lower quality".

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 billion will come from the legal adult-use market.

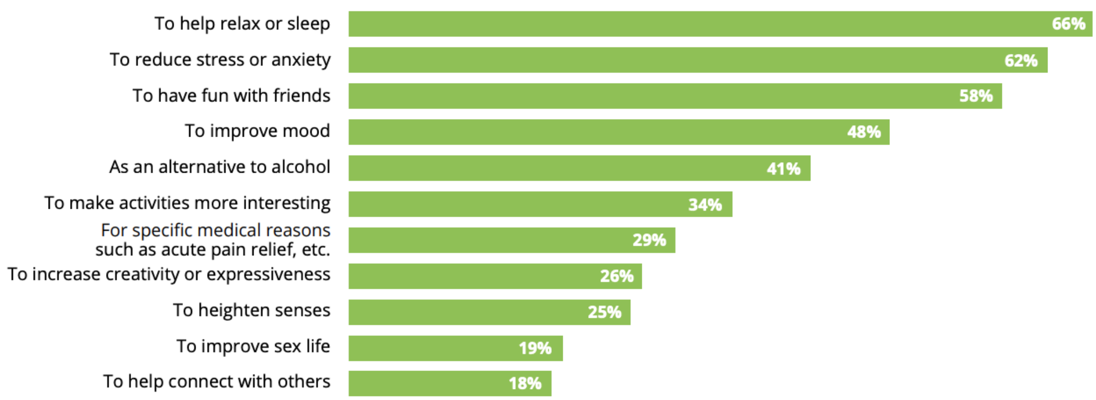


Source: Deloitte analysis

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 they 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%).

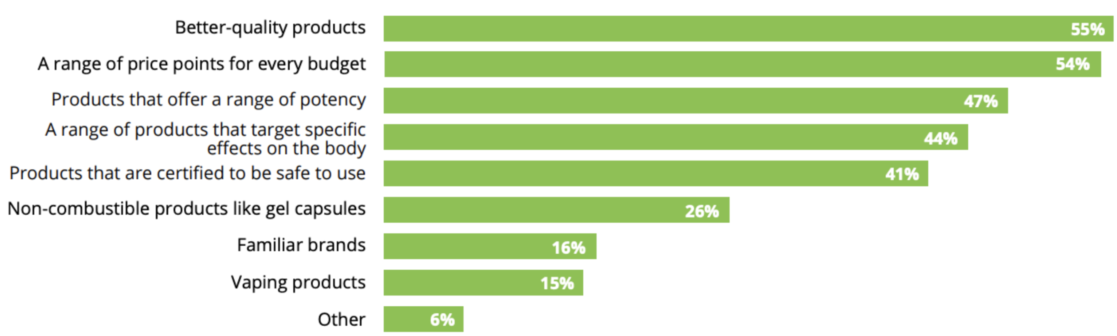
Reasons for using recreational cannabis



Source: Deloitte analysis

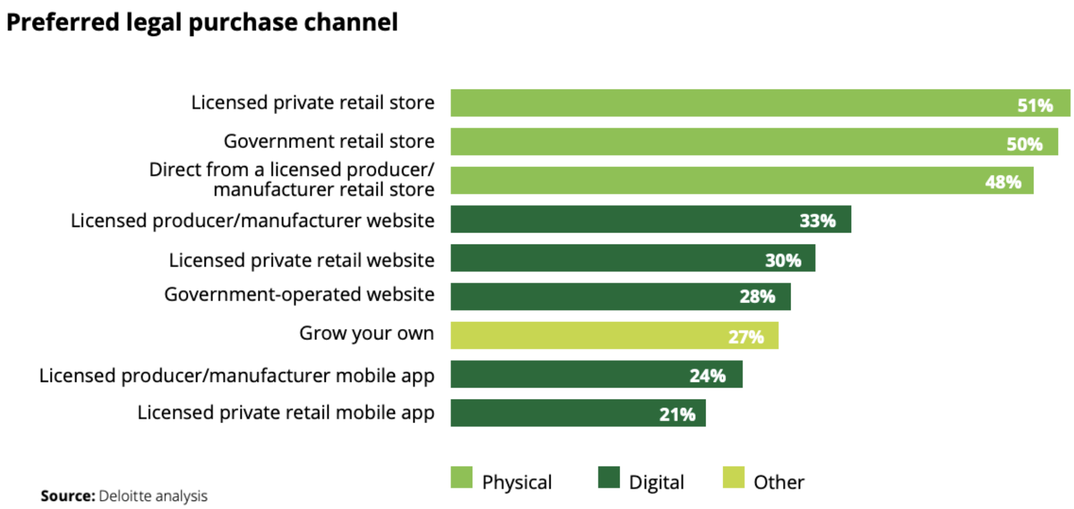
There are a variety of reasons driving consumer adoption to purchase legally in Canada. The primary reason for purchase through legal channels is quality (55%), followed closely by a variety of price points (54%) and potency ranges (47%). Quality assurance is also a key theme, with 41% of consumers believing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

Reasons to transition to legal purchase channels

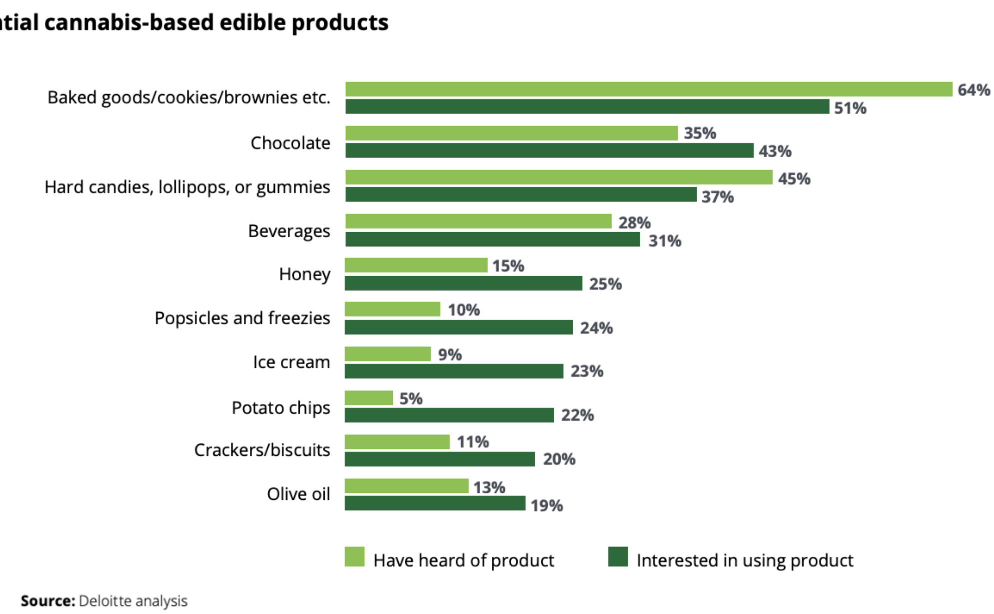


Source: Deloitte analysis

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.



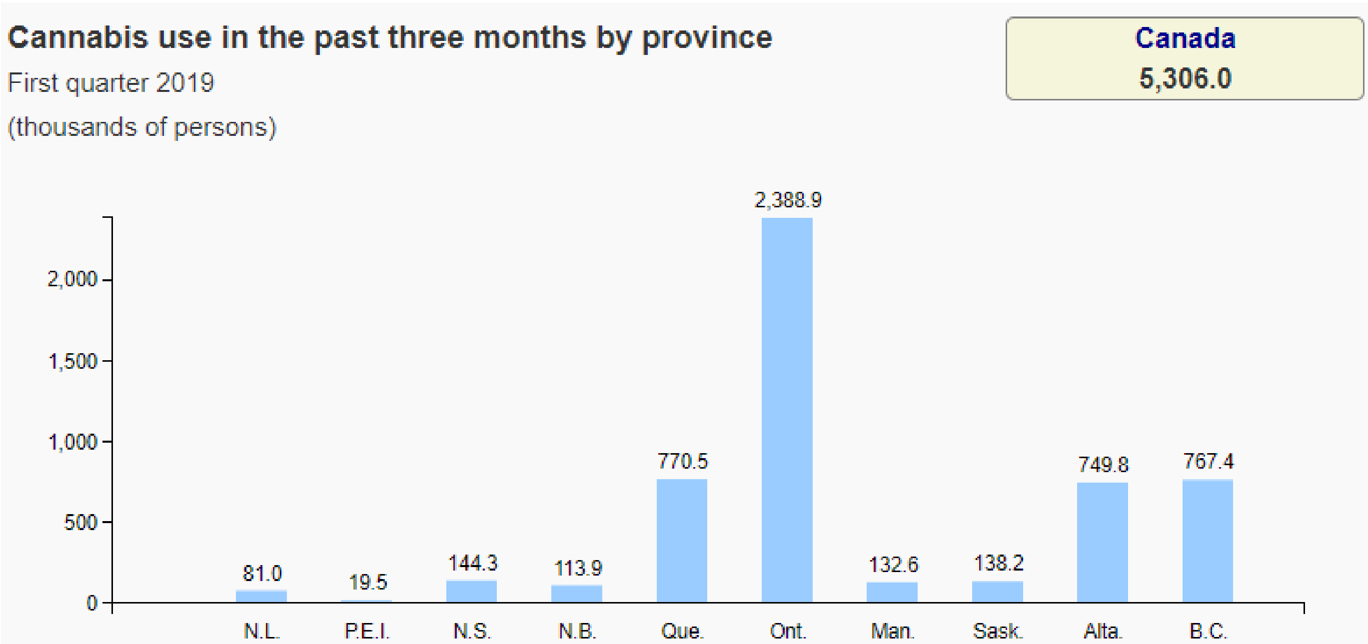
New products and product innovation will be a key factor for licensed producers as the Canadian cannabis landscape continues to evolve. While edible products will not be offered until 2019, producers are already preparing edible products for market. Over 50% of the Canadian cannabis users surveyed are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



According to Desjardins & Health Canada, the number of registered medical patients using cannabis will reach 500,000 by 2020 (or a market size of ~C$2b). It is estimated that the number of users and grams used per occasion are the biggest growth drivers for the medical market and could be in excess of $3 billion.

Statistics Canada Results on Adult-Use for Q1 2019

Cannabis disclosed users represent approximately 14% of the Canadian population. The disclosed users are disbursed through the provinces, with the highest concentration in Ontario, Quebec, British Columbia and Alberta.



Q1 2019 Financial Results

Results of Operations

Three months ended	March 31, 2019	March 31, 2018
Net revenue	$ 3,335,788	$ 1,142,341
Gross profit before fair value adjustments	489,094	732,709
Gross profit	3,312,250	639,813
Net comprehensive loss	(2,403,887)	(1,321,497)
Cash used in operations	(7,188,505)	(1,597,568)
Basic and diluted loss per share	(0.02)	(0.01)
As at	**March 31, 2019**	**March 31, 2018**
Total Assets	$ 130,754,956	$ 88,068,657
Total Liabilities	48,953,307	10,976,340
Cash and cash equivalents	16,853,647	21,223,641
Working Capital	35,709,988	29,838,984

Revenues

WeedMD recorded net revenues of $3,335,788 in the three months ended March 31, 2019 (Q1 2018: $1,142,341), representing a 192% increase over the same period in the prior year. In comparison to the three months ended December 31, 2018 ("Q4 2018"), net revenues increased $613,451 or 23%. Revenues consist of the sale of dried cannabis, live cannabis plants, cannabis seeds and cannabis extracts. Total dried cannabis sold for the period was 793,003 grams (Q1 2018: 53,386 grams) at an average selling price of $4.15 per gram (Q1 2018: $6.47). The decrease in average selling price compared to the same quarter in 2018 is due to the implementation of the excise tax, lower price per gram in the wholesale adult-use market, as well as the Company selling a larger than usual proportion of lower priced extract-grade product.

Gross Profit Before Changes in Fair Value

Gross profit before changes in fair value represents the profit on products that were sold in the period, less the cost of those products sold, with the cost representing the actual costs in the period it was produced.

Gross profit before changes in fair value increased $745,325 or 291% over Q4 2018 and decreased $243,615 or 33% over Q1 2018. The increase in gross profit before changes in fair value, from Q4 2018, is mainly attributable to a decrease in cost of sales and a quarter-over-quarter improvement in total revenue. The decrease in gross profit before changes in fair value from Q1 2018, is mainly attributable to a decrease in genetic and clone sales.

The average cost per gram, from clone to harvest throughout Q1 2019 ranged from $1.37 to $2.96. The last harvests in the quarter achieved the lower cost of $1.37 per gram and demonstrate a significant improvement in the quarter. The weighted average cost per gram, inclusive of all costs, direct and indirect, to produce and package for Q1 2019 was $2.90, compared to $3.28 for Q4 2018 and $3.66 in Q1 2018.

As WeedMD continues to scale and the remaining production capacity in the Strathroy facility (greenhouse and outdoor) is brought online the Company expects its costs to continue to decrease which is expected to be reflected in continued improvements in gross profit margins.

Gross Profit

Gross profit is the actual cost of sales with the adjustments in fair value for the products sold in the period and fair value adjustments for the biological assets in production.

Gross profit increased $4,122,976 or 509% over Q4 2018 and increased $2,672,437 or 418% over Q1 2018. The increase from Q4 2018 is attributable to an increase in net revenue of $613,451 and decrease of net cost of sales of $3,509,525, of which is primarily a result of the $3,430,788 in unrealized gain on changes in fair value of biological assets as at March 31, 2019. The gain is a result of the fair value adjustment to the 28,788 plants, estimated to be 86% of their full gram potential as at March 31, 2019. This gain is the difference between the estimated selling price, less cost to sell, at the plants current state (86% complete) less the production costs incurred to date.

General and Administrative Expenses

General and administrative expenses increased by $2,103,622 from Q1 2018. The increase is mainly attributable to an increase in the operations footprint and an increase in headcount to support the increase in operations. Total sq. ft. of operations increased 423% and headcount increased 302%.

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

For the three months ended	**March 31, 2019**	**March 31, 2018**
Wages & Salaries	$ 1,016,993	$ 467,787
Marketing & business development	948,435	245,370
Rent & occupancy	240,728	30,461
Insurance	121,083	14,882
Office & Administrative	615,470	607,124
Travel & accommodations	199,599	64,935
Professional fees	94,763	87,040
Aylmer optimization	384,150	-
Total general and administrative	$ 3,621,221	$ 1,517,599

Marketing and business development

In Q1 2019 the Company incurred marketing and related business development expenses in the amount of $948,435 (Q1 2018 $245,370). Included in these expenses are brand development, marketing campaigns, and conference costs.

Wages and salaries

In Q1 2019, wages and salaries increased by $549,206 from Q1 2018. The increase in wages and salaries expense is due to an increase in headcount required to successfully scale up the organization. As at March 31, 2019, the Company employed a total of 148 people (Q1 2018: 53 people), of which 25% (Q1 2018: 32%) were employed in support service departments reflected in general and administrative expenses, such as human resources, finance, information technology, customer service and sales & marketing.

Aylmer optimization

During Q1 2019, the decision was made to optimize the Aylmer facility and convert it into a cannabis extraction and processing centre of excellence. The one-time costs incurred in relation to the decommissioning of facility totaled $384,150.

Rent and occupancy costs

Rent and occupancy expenses for Q1 2019 increased by $210,267 from Q1 2018. The increase is mainly attributable to the costs incurred in the Strathroy facility that was not operational in the prior year.

Amortization

Total amortization for Q1 2019 was $107,922 (Q1 2018: $15,640) included in amortization expense. The increase is mainly attributable to the increase in production capacity resulting in increased property, plant and equipment.

Net loss for the period

The Company reported a net loss and comprehensive loss of $2,403,887 for Q1 2019 (Q1 2018: $1,321,497).

Summary of Quarterly Results

	Q1-19	Q4-18	Q3-18	Q2-18
Net revenue	$ 3,335,788	$ 2,722,337	$ 2,001,369	$ 2,089,163
Loss before other income and expenses	$ (2,463,888)	$ (7,601,231)	$ (120,958)	$ (1,691,678)
Net comprehensive income (loss)	$ (2,403,887)	$ (7,715,284)	$ 9,904,660	$ (1,763,007)
Income (loss) per Share	$ (0.02)	$ (0.07)	$ 0.09	$ (0.02)

	Q1-18	Q4-17	Q3-17	Q2-17
Net revenue	$ 1,142,341	$ 858,924	$ 356,479	$ 235,659
Loss before other income and expenses	$ (1,578,161)	$ (5,117,475)	$ (566,565)	$ (3,145,019)
Net comprehensive loss	$ (1,321,497)	$ (3,438,170)	$ (557,807)	$ (4,759,844)
Loss per Share	$ (0.01)	$ (0.05)	$ (0.01)	$ (0.08)

Adjusted EBITDA

Adjusted EBITDA is not a recognized measurement under IFRS and this data may not be comparable to data presented by other companies. Management believes Adjusted EBITDA to be an important measure of the Company's day-to-day operations, by excluding interest, tax, and depreciation, stock compensation, fair value changes and other non-cash items, and non-recurring items. This measurement is useful in assessing the results of operating and strategic decisions.

For the three months ended	March 31, 2019	March 31, 2018
Loss and comprehensive loss	$ (2,403,887)	$ (1,321,497)
Add (Deduct):		
Unrealized gains on investments	(15,667)	(125,000)
Finance costs	13,564	647,115
Amortization	107,922	15,640
Share based compensation	2,033,431	37,620
Realized fair value	607,632	896,539
Unrealized fair value	(3,430,788)	(803,643)
Adjusted EBITDA	**$ (3,087,793)**	**$ (653,226)**

Liquidity and Capital Resources

As at March 31, 2019, the Company had cash of $16,853,647 (December 31, 2018: $21,223,641). Total current assets were $49,231,823 (December 31, 2018: $40,815,324), including inventory and biological assets of $13,854,749 (December 31, 2018: $7,984,127), with current liabilities of $13,521,835 (December 31, 2018: $10,976,340) resulting in working capital of $35,709,988 (December 31, 2018: $29,838,984). The Company's current ratio at March 31, 2019 was 3.64 (December 31, 2018: 3.72). The Company's current assets increased as a result of the increases in inventory and biological assets, primarily driven by the increase in cultivation capacity at the Greenhouse expansion.

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

Property, plant and equipment

During the three months ended March 31, 2019, WeedMD invested $41,042,159 (three months ended March 31, 2018: $8,144,826) on capital expenditures. The Greenhouse Expansion purchase represents 71%, or $29,106,016 of the expenditures. Additions to the Greenhouse Expansion for the three months ended March 31, 2019, represent 17%, or $6,967,438 (three months ended March 31, 2018: 78% or $6,374,211). The remaining additions were related to equipment and software.

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. 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.

Loans and 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.

Warrant and Stock Options Exercise

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.

Stock Option Grants

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.

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

Contractual obligations
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

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

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.

Critical Accounting Estimates

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.

Changes and New Accounting Standards and Interpretations

a) Changes in Accounting Standards:

Biological Assets and Inventories

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 impact to the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss and the Condensed Interim Consolidated Statements of Cash Flows is disclosed in Note 3 in the Notes to the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2019 and 2018.

b) New Standards Adopted in Current Year:

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 previous period have 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 of the Condensed Interim Consolidated Financial Statements. 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.

Disclosure of Outstanding Share Data

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

Common Shares:	114,382,021
Warrants:	11,655,755
Stock and Broker Compensation Options:	9,893,233

Risk Factors

It is believed that numerous 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.

There have been no changes to the risk factors as disclosed in the MD&A for the year ended December 31, 2018. Please refer to the Risk Factors in the December 31, 2018 MD&A for a complete discussion.