WeedMD Inc.

Management's Discussion & Analysis

For the three months ended March 31, 2020

INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") discusses the financial condition and results of operations of WeedMD Inc. (the "Company" or "WeedMD") for the three months ended March 31, 2020 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes thereto as at and for the three months ended March 31, 2020, which have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting ("IAS 34") of the International Financial Reporting Standards ("IFRS"), as well as the Company's audited consolidated financial statements and related unaudited MD&A for the year ended December 31, 2019.

Except for per unit amounts and where otherwise noted, all amounts in this MD&A are reported in Canadian dollars.

Additional information relating to the Company, including its latest Annual Information Form, 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 the Company'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 period to those of the preceding comparable period. 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.

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. These measures are used by management to assess the financial and operational performance of the Company. These include, but are not limited to, the following:

1. *Yield per plant: The expected number of grams ("g") of finished cannabis inventory which are expected to be obtained from each cannabis plant, adjusted for expected wastage. The Company uses this metric as it allows for comparability of yield despite the number of plants harvested in the period, which fluctuates from period to period.*

2. *Cost per gram: Direct and indirect costs incurred to grow and produce cannabis as well as post-harvest costs (post-harvest production costs, packaging costs, and selling costs) incurred to bring that product to a ready for sale state, divided by total grams of cannabis grown and produced in the period. The Company uses this metric as it allows for comparability of costs despite the number of plants grown and produced in the period, which fluctuates from period to period.*

3. *Net adjusted operating income (loss): Income (loss) before other income (loss) excluding realized fair value amounts included in inventory sold and the unrealized gain on changes in fair value of biological assets. The Company uses this metric as it believes that net adjusted operating income (loss) provides a better interpretation of the period's results.*

4. *Adjusted EBITDA: Income (loss) and comprehensive income (loss) excluding interest, tax, depreciation and amortization, stock-based compensation, fair value changes and other non-cash items, and non-recurring items. The Company uses this metric as it is an important measure of the Company's day-to-day operations.*

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

The information contained in this MD&A, including forward-looking statements, is based on information available to management as of July 14, 2020, except as otherwise noted.

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 from current expectations is contained in the "Risk Factors" section of this MD&A.

BUSINESS OVERVIEW

WeedMD Inc. (TSXV: WMD) (OTCQX:WDDMF) (FSE:4WE) is the publicly-traded parent company of WeedMD Rx Inc. and Starseed Medicinal Inc. ("Starseed Medicinal"), both of which are Canadian federally licensed producers ("LP") and distributors of cannabis products under the Cannabis Act. The Company is permitted to buy, sell, process, and produce cannabis, cannabis plants, and certain derivative products such as cannabis extracts for both the medical and adult-use markets.

The Company owns, leases, and operates three facilities:

- A 158-acre property in Strathroy, Ontario with up to 550,000 square feet ("sq. ft.") of greenhouse footprint and up to 100 acres of outdoor cultivation area ("Strathroy Facility").
- A 26,000 sq. ft. indoor facility in Aylmer, Ontario which specializes in cannabis extraction and processing ("Aylmer Facility").
- A 14,850 sq. ft. indoor facility in Bowmanville, Ontario that focuses on product research, processing, and fulfillment ("Bowmanville Facility").

Starseed Acquisition and Private Placement

On November 29, 2019, WeedMD entered into an acquisition agreement (the "Acquisition Agreement") to effect an all-share acquisition of Starseed Holdings Inc. ("Starseed Holdings") (the "Acquisition"). Pursuant to the Acquisition Agreement, WeedMD issued 71.8 million common shares to the shareholders of Starseed Holdings and the Acquisition was completed on December 20, 2019. Concurrent with the closing of the Acquisition, Starseed Holdings' cornerstone investor, the LiUNA Pension Fund of Central and Eastern Canada ("LPF"), made a direct equity investment into WeedMD through the purchase of subscription receipts (the "Subscription Receipts") for aggregate gross proceeds of $25,000,000 (the "Private Placement"). The Private Placement and the exercise of Subscription Receipts were subsequently approved by WeedMD shareholders on February 4, 2020. The impact of the Acquisition on the Company's results is discussed throughout this MD&A.

Leading Cultivation Platform – Strathroy Facility

The Strathroy Facility is WeedMD's cannabis cultivation hub and currently operates 220,000 sq. ft. of licensed cultivation and processing space in the hybrid greenhouse, in addition to 27 acres of licensed outdoor cultivation area on the property. The greenhouse production footprint is expandable by an additional 335,000 sq. ft. that can be brought online relatively quickly.

WeedMD's outdoor cultivation operation, licensed in May 2019, was one of Canada's first legal outdoor cannabis cultivation operations, and can be expanded to up to 100 acres from the current 27 acres on the same property. The Company will continue to monitor relevant market conditions and expand its operations when appropriate to do so.

As one of the first Canadian LPs to cultivate cannabis outdoors, the Company is positioned as a leader in this new production modality. The WeedMD cultivation team uses its own proprietary strains of cannabis for Canadian outdoor production which gives the Company a strategic edge as the industry looks to reduce the domestic cost of cannabis. The Company has made significant discoveries in the viability of certain strains in the Canadian climate allowing it to capture high yields while maintaining high potency. The Company currently has seven strains planted outdoors.

On June 12, 2020, WeedMD started its second year outdoors grow with over 18,000 plants slated for Fall harvest.

Outdoor Cultivation Highlights:

- Over 18,000 fully-rooted cannabis plants comprised from seven strains selected from mother plants shown to excel outdoors in southwestern Ontario.
- Planted in nutrient-rich, natural loamy soil on 27-acre field with irrigation system installed, located directly adjacent to WeedMD's fully-licensed greenhouse.
- Utilized fertigation formulas prepared by award-winning fertigation supplier Emerald Harvest.
- Optimizing planting methods for this second season, using precision agriculture methods which include crews of under 10 people and a high-performance mechanical planter.
- Planting completed in one-third of the time, with one-third of staffing required compared to 2019.
- All infrastructure and staffing resources onsite with an experienced outdoor-dedicated team.
- A newly-built 50,000 square foot, fully-licensed processing facility strictly for processing and storing outdoor-cultivated biomass in now fully operational processing biomass for CX Industries.

Extraction and Processing Centre of Excellence – Aylmer Facility and CX Industries Inc.

In June 2019, WeedMD transitioned the Aylmer Facility into a state-of-the-art extraction and processing platform to take advantage of the increasing adoption of extracts-based products by cannabis consumers. The Aylmer Facility will be operated under the banner of CX Industries Inc. ("CX Industries" or "CX"), a newly established business unit focusing on the production of next-generation cannabis products (commonly referred to as Cannabis 2.0 products) and business-to-business ("B2B") sales. CX Industries is currently equipped to extract up to 50,000 kilograms ("kg") annually, of high-cannabinoid biomass.

CX Industries supplies and plans to supply input products such as crude resin, winterized resin, cannabis-derived terpenes, and distillate in bulk to other licensed producers or brand partners without adequate in-house extraction capabilities. In addition, CX Industries is expected to offer a wide range of services such as formulation, white labelling, tolling, and co-packing services to business customers seeking to manufacture and distribute cannabis products in Canada. CX Industries plans to introduce a number of new cannabis vaporization ("vape") products in 2020 across internal and third-party brands.

On June 22, 2020, the company launched the sale of its first vape product, Aurum vape cartridges, which are filled with cannabis concentrates processed with terpene-rich biomass cultivated from the Company's indoor and outdoor harvests. The strain-specific product line launches with Ghost Train Haze, followed by Mango Haze and soon thereafter a high CBD-strain format. Coupled with WeedMD's low-cost outdoor biomass as extraction input materials, the Company believes CX Industries' operations will deliver superior margins over those of traditional cannabis products and provide meaningful growth for WeedMD as the market for Cannabis 2.0 products continues to expand.

Medical Fulfilment and Product Research – Bowmanville Facility

Through the acquisition of Starseed Holdings, WeedMD added 10,000 sq. ft. of licensed production area and 4,850 sq. ft. of office space at the Bowmanville Facility. The site has full extraction and processing capabilities, and currently houses Starseed Medicinal's customer service, patient administration, and medical fulfillment functions. A Health Canada Cannabis Research Licence was granted to the Bowmanville Facility in February 2020, allowing for ongoing product development and evaluation to be conducted at the facility.

World Class Genetics

WeedMD maintains a comprehensive catalogue of world class genetics which is monetizable through the sale, licensing, and development of cannabis strains domestically and internationally. 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 Technologies ("TruTrace") database.

Our Brands

Color cannabis	SATURDAY	STARSEED	weedmd
Adult-use	Adult-use	Medical Direct-to-Patient (benefits coverage)	Medical Direct-to-Patient (traditional)

Adult-use

WeedMD launched Color Cannabis® in 2019 for the Canadian adult-use market. The brand currently specializes in the dried flower category with plans to expand into additional formats. Color Cannabis® is known for its quality and maintains a strong following amongst adult-use consumers. During the three month period ended March 31, 2020 ("Q1 2020"), unit sell through for Color Cannabis® products remained strong within the major markets the brand has listings in (British Columbia, Alberta, and Ontario).

In December 2019, the Saturday® brand was added to WeedMD's portfolio via the Acquisition. The brand's strategy has been centered around leveraging a pre-existing brand equity of relaxation, enjoyment, and freedom. The brand also leverages Starseed Medicinal's medical heritage, advocating the safe and responsible consumption of cannabis, segmenting its products into time-of-day usage categories according to cannabinoid content (Saturday Morning, Afternoon, and Night). To date, the Saturday® brand's revenues have been predominately generated from the sale of pre-rolls, which complements WeedMD's adult-use product portfolio and provides WeedMD with immediate access to the brand's existing listings and markets in this category (British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario).

Medical Direct-to-Patient

The Company distributes its medical products directly to medical patients across the country under the Starseed and WeedMD brands. In the medical channel, Starseed Medicinal has developed a unique platform that targets captive customer bases with paid benefits covering medical cannabis. Starseed Medicinal formed an industry-first, exclusive partnership with Laborers' International Union of North America ("LiUNA"), along with exclusive or preferred partnerships with other employers and union groups, to provide medical cannabis to thousands of covered individuals while offering direct-reimbursement from benefits plans as a payment option. For its medical products, Starseed has developed the Starseed System™ that simplifies the dialogue surrounding strength and dosage by categorizing medical cannabis according to THC and CBD levels. This allows health care professionals and Starseed's client service teams to communicate with patients and recommend products with greater effectiveness and ease.

Licences and Agreements

WeedMD currently holds licences at its three facilities in Aylmer, Strathroy, and Bowmanville. On February 7, 2020, the Bowmanville Facility received a cannabis research licence from Heath Canada allowing for the testing of cannabis concentrates pertaining specifically to vape products in development testing.

Location	Aylmer, ON	Strathroy, ON	Bowmanville, ON
Facility type	Indoor	Indoor & Outdoor	Indoor
Licence type(s)	Standard Cultivation, Standard Processing, Sale for Medical Purposes	Standard Cultivation, Standard Processing	Standard Cultivation, Standard Processing, Sale for Medical Purposes, Research
Authorized activities under the licence(s)	Cultivation (indoor), Processing and Sale of Cannabis and Cannabis Products, Medical sale of Cannabis Product;	Cultivation (indoor, outdoor), Processing and Sale of Cannabis and Cannabis Products;	Cultivation (indoor), Processing and Sale of Cannabis and Cannabis Products, Medical sale of Cannabis Product;
Cannabis	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis;	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis, other cannabis (for R&D purposes)
Cannabis products	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis	cannabis plants; cannabis plant seeds;	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis

(Authorized for sale under the Cannabis licence(s) issued by Health Canada)	topicals; cannabis extracts; and edible cannabis;		topicals; cannabis extracts; and edible cannabis;
Main activities and specialization	Production of cannabis oil and cannabis extracts; Packaging, labelling, sale and distribution of cannabis products for non-medical and medical purposes	Cultivation and production of dried cannabis; Bulk sale and distribution of cannabis;	Production of cannabis oil and cannabis extracts; Packaging, labelling and sale of cannabis products for medical purposes
Total area size	4 acres	158 acres	14,850 sq. ft.
Currently licensed area	26,000 sq. ft.**	Indoor – 220,000 sq. ft. Outdoor - 1.1M sq. ft. (27 acres)	10,000 sq. ft.
Development potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5M sq. ft. (102 acres)	N/A

* Pending regulatory approval, includes cultivation expansion for both greenhouse and outdoor cultivation.
** Currently being retrofitted to house CX Industries' extraction facility.

As at March 31, 2020, WeedMD held adult-use distribution agreements in the following provinces:

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 adult-use cannabis product.

BC Liquor Distribution Branch: Supply agreement with the province of British Columbia to supply adult-use cannabis product.

Nova Scotia Liquor Corporation: Purchase agreement with the province of Nova Scotia to supply cannabis for the adult-use market.

Manitoba Liquor & Lotteries Corporation: Distribution agreement with the province of Manitoba to supply cannabis for the adult-use market.

Saskatchewan Liquor & Gaming Authority: Authorization to supply cannabis directly to private retail and wholesale markets in the province of Saskatchewan.

2020 INDUSTRY OUTLOOK

The Company sees the fundamentals of the Canadian cannabis industry strengthening as retail store build-out across Canada accelerates, in particular in Ontario, the largest provincial adult-use market, where the market to-date has been underserved by retail on a per-capita basis. Expanded retail presence will grow the addressable market and allow for greater consumer education which is expected to be beneficial in supporting the growth of Color in the market. However, the restrictions implemented in response to the COVID-19 pandemic may impact current retail store operations and growth initiatives across the country.

In addition, the launch of new Cannabis 2.0 products will expand the addressable market and appeal to a broader set of potential consumers in both the adult-use and medical channels. Overall, we anticipate that growth expectations for the Canadian cannabis market and WeedMD will continue to improve in the second half of 2020 and beyond.

COVID-19 UPDATE

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. In Canada, the production and sale of cannabis is recognized as an essential service.

During the first quarter of 2020, the pandemic did not have a material impact on the Company's operations. As at March 31, 2020, we did not observe any material impairments of our assets or any significant changes in the fair value of assets due to the COVID-19 pandemic. During the second quarter of 2020, the Company has experienced a decline in sales relative to the first quarter of 2020 which can likely be attributed to the economic uncertainty caused by the COVID-19 pandemic. The Company has taken steps to minimize the potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, temporary staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

KEY FINANCIAL HIGHLIGHTS

For the three months ended	**March 31, 2020**	March 31, 2019	**$ or weight difference**	**% difference**
Kilograms harvested	**3,385.48**	401.48	2,984.00	743.3%
Average yield per plant	**75.74**	59.89	15.85	26.5%
Weighted average cost per gram	**$ 2.54**	$ 2.90	$ (0.36)	(12.4)%

During Q1 2020, WeedMD harvested 3,385.48 kg of cannabis compared to 401.48 kg in the three months ended March 31, 2019 ("Q1 2019"). The increased production was mainly a result of the licensing of ten additional cultivation rooms and ten processing rooms in August of 2019.Yield per plant averaged 75.74 grams per plant in Q1 2020 compared to 59.89 grams per plant in Q1 2019, and weighted average cost per gram was $2.54 in Q1 2020 compared to $2.90 in Q1 2019. This is a direct result of the Company achieving economies of scale as it expands its capacity.

Given the addition of patients resulted from the acquisition of Starseed Holdings Inc., the commissioning of CX Industries' supercritical CO2 extractors in the fourth quarter of 2019, and the licensing of 18 greenhouse flowering rooms at the Strathroy Facility in the fourth quarter of 2019, the Company experienced a significant increase in sales for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Please see "Q1 Financial Results" section for details.

An additional 335,000 sq. ft. of traditional greenhouse cultivation space is available at WeedMD's Strathroy Facility, which if constructed would bring the total greenhouse production footprint to more than 500,000 sq. ft. WeedMD will continue to assess the attractiveness of further expansion as the market continues to grow.

Q1 FINANCIAL RESULTS

Summary of Quarterly Results and Results of Operations

For the three months ended	**March 31, 2020**	March 31, 2019
Net revenue	**$ 12,184,779**	$ 3,335,788
Cost of goods sold	**(10,814,538)**	(2,846,694)
Gross profit before changes in fair value	**1,370,241**	489,094
Realized FV amounts included in inventory sold	**(1,603,145)**	(607,632)
Unrealized gain on changes in fair value of biological assets	**(349,503)**	3,430,788
Gross profit (loss)	**(582,407)**	3,312,250
Income (loss) and comprehensive income (loss)	**(9,001,692)**	(2,403,887)
Adjusted EBITDA [1]	**(5,074,936)**	(3,087,793)
Cash provided by (used in) operations	**(16,320,176)**	(7,188,505)
Basic income (loss) per share	**$ (0.04)**	$ (0.02)

As at	**March 31, 2020**	December 31, 2019
Total assets	**213,729,635**	209,798,741
Total liabilities	**61,301,870**	73,739,556
Cash and cash equivalents	**14,182,504**	8,183,744
Working capital	**46,990,778**	30,618,609

1 Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. For a reconciliation of Adjusted EBITDA to income (loss) and comprehensive income (loss), please refer to the "Adjusted EBITDA" section of this MD&A.

Gross Revenue

WeedMD earns revenue from the sale of dried cannabis, live cannabis plants, cannabis seeds, and cannabis extracts, sold either directly to medical patients ("Direct to patient") or via our wholesale distribution channels to provincial buyers and federal licence holders ("Wholesale"). The table below summarizes revenue by channel and product category.

For the three months ended	**March 31, 2020**	March 31, 2019
Direct to patient		
Dried cannabis	**$ 3,915,562**	$ 296,452
Cannabis plants and seeds	**-**	8,492
Cannabis extracts	**1,326,008**	132,135
Others	**9,210**	496
	$ 5,250,780	$ 437,575
Wholesale		
Dried cannabis	**8,228,228**	2,983,413
Cannabis extracts	**121,580**	271,820
	$ 8,349,808	**$ 3,255,233**

WeedMD recorded net revenue, defined as gross revenue less excise taxes, of $12,184,779 for the three months ended March 31, 2020, representing an increase of $8,848,991 or 265.3% from the three months ended March 31, 2019. The increase in Q1 2020 compared to Q1 2019 is mainly attributable to the full quarter contribution of Starseed, growth in adult-use market, and a significant sale of dried cannabis to a licence holder during the period.

For the three months ended March 31, 2020, WeedMD recorded gross revenues to direct to patient channel of $5,250,780, a year over year increase of $4,813,205 or 1100% compared to the three months ended March 31, 2019. The direct to patient distribution channel was 38.6% of revenues, a 26.8% increase from Q1 2019. Wholesale to federal license holders increased to $5,016,069, a year over year increase of $2,790,061 or 125% compared to the three months ended March 31, 2019. The increase in wholesale distribution channel year over year is due to increased volume due to the timing and availability of finished packaged product as a result of the completion and licensing of additional cultivation rooms in prior periods.

Grams Sold	**March 31, 2020**	March 31, 2019
Dried Cannabis		
Provincial	**737,280**	140,112
Federal license holders	**4,002,940**	614,733
Direct to patient	**343,690**	38,158
Total grams sold	**5,083,910**	793,003

Total dried cannabis sold in Q1 2020 was 5,083,910 grams, compared to 793,003 grams sold in Q1 2019 at a weighted average selling price, net of excise taxes, of $2.37 per gram, compared to $3.82 per gram in Q1 2019. The decrease in weighted average selling price, net of excise taxes, was due to price compression for biomass in the market.

Average selling price (net of excise taxes) broken down by distribution channel is as follows:

Average selling price (net of excise) for the three months ended		**March 31, 2020**		March 31, 2019
Dried cannabis				
Provincial	**$**	**4.21**	**$**	**3.78**
Federal licence holders		**1.25**		**3.66**
Direct to patient		**7.43**		**6.48**
Weighted average selling price	**$**	**2.37**	**$**	**3.82**

The provincial adult-use average selling price per gram increased by $0.43 or 11.4% for three months ended March 31, 2020 compared to the three months ended March 31, 2019. The average selling price to federal licence holders is dependent on the mix of biomass format and cannabinoid content. The average selling price to federal licence holders decreased by $2.41 or 65.8% in Q1 2020 compared to Q1 2019 as a result of price compression in the wholesale market for biomass and bulk extracts. The average selling price for the direct-to-patient distribution channel increased by $0.95 or 14.7% in Q1 2020 compared to Q1 2019.

Gross profit before changes in fair value

Gross profit before changes in fair value represents the revenue (net of excise taxes) on products that were sold in the period, less costs of goods sold. Gross profit before changes in fair value for the three months ended March 31, 2020 increased by $881,147 or 180.2% compared to the three months ended March 31, 2019. The increase from Q1 2019 is primarily attributable to increased revenue from the sale of dried cannabis and revenue generated during the period from the full quarter post the Starseed acquisition.

Gross profit

Gross profit represents revenue (net of excise taxes) including adjustments in fair value for the products sold in the period and fair value adjustments for the biological assets in production. Gross profit for the three months ended March 31, 2020 decreased by $3,894,657 or 117.6% compared to the three months ended March 31, 2019. The decrease in gross profit is mainly attributable to the change in the unrealized and realized loss in fair value of biological assets.

As WeedMD continues to scale the remaining production capacity at its Strathroy Facility with additional greenhouse and outdoor grow capacity, the Company expects future decreases in the weighted average cost per gram. Continued initiatives including packaging automation and optimization of operations at the Aylmer, Strathroy, and Bowmanville Facilities are anticipated to have further positive impacts on WeedMD's Gross margin %.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $2,867,906 or 79% in Q1 2020 compared to Q1 2019. The increase in selling, general and administrative expenses year over year was primarily driven by increases in salaries and benefits, consulting fees and administrative expenses as discussed further below.

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

For the three months ended	March 31, 2020	March 31, 2019
Salaries and benefits	**$ 3,411,699**	$ 1,016,993
Consulting fees	**1,021,532**	-
Rent and occupancy costs	**119,285**	240,728
Office and administration	**1,296,020**	615,470
Professional fees	**320,610**	94,763
Travel and accommodation	**136,442**	199,599
Selling, marketing and promotion	**184,324**	948,435
Aylmer optimization	**-**	384,150
Insurance	**-**	121,083
Others	**(785)**	-
Total Selling, General and Administrative Expenses	**$ 6,489,127**	$ 3,621,221

Salaries and benefits

Salaries and benefits have increased to $3,411,699 or 235% from Q1 2019. The main driver of this increase is the growth in headcount year over year to support the company's planned growth in various departments such as human resources, finance, information technology, customer service and sales & marketing.

Consulting fees

Consulting fees include expenses in relation to Starseed Holdings Inc. acquisition along with the fees incurred with the financing subscription during the quarter.

Office and administrative

Office and Administrative expenses include general office expenses, subscriptions, and memberships as well as other overhead costs not directly related to production. In Q1 2020, office and administrative expenses increased by $680,550, or 111% from Q1 2019, mainly due to increased costs from the acquisition of Starseed Holdings Inc.

Share based compensation

Share based compensation contains the non-cash cost associated with options granted to directors, officers, employees, and consultants for services rendered. Share based compensation decreased by $1,663,159, from $2,033,431 in Q1 2019 to $370,272 in Q1 2020, driven by increased number of options being cancelled, forfeited, and expired during the quarter, and decreased numbers of vested options compared to the same period in the prior year.

Amortization

Total amortization expense for Q1 2020 was $219,883 compared to $107,922 in Q1 2019, representing an increase of $111,961 or 103.7%. The increase in amortization is a result of increasing in ramping up the production facility, and the addition of the property, plant and equipment from the acquisition of Starseed Holdings Inc.

Adjusted EBITDA

For the three months ended		March 31, 2020		March 31, 2019
Income (loss) and comprehensive income (loss)	$	(9,001,692)	$	(2,403,887)
Add (Deduct)				
Realized and unrealized losses (gains on investments)		59,802		(15,667)
Finance costs		1,324,151		13,564
Amortization		219,883		107,922
Share based compensation		370,272		2,033,431
Realized fair value		1,603,145		607,632
Unrealized fair value		349,503		(3,430,788)
Adjusted EBITDA [1]	$	(5,074,936)	$	(3,087,793)

[1]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, depreciation and amortization, stock-based compensation, fair value changes and other non-cash items, and non-recurring items.

Adjusted EBITDA loss was $5,074,936 and $3,087,793, for the three months ended March 31, 2020 and March 31, 2019 respectively, representing an increase of $1,987,143 or 64.4%. The year over year increase is primarily a result of substantial increase in expenses related to production ramp-up, and selling, general and administrative expenses.

Net loss for the period

The Company reported a net loss and comprehensive loss of $9,001,692 for Q1 2020, representing an increase of $6,597,805 or 274.5% compared to that in Q1 2019. This significant increase in net loss and comprehensive loss is primarily a result of decrease in gross profit, increase in operating costs in relation to production ramp-up, and expansion of the cultivation facilities.

Net adjusted operating income (loss)

Net adjusted operating income (loss) is not a recognized measurement under IFRS and therefore, this data may not be comparable to data presented by other companies. Net adjusted operating income (loss) is calculated as income (loss) before other income (loss) excluding realized fair value amounts included in inventory sold and the unrealized gain on changes in fair value of biological assets. The Company uses this metric as it believes that net adjusted operating income (loss) provides a better interpretation of the period's results.

Net adjusted operating loss for Q1 2020 increased by $1,746,148 or 33.0% to $(7,033,192) from $(5,287,044) in Q1 2019.

For the three months ended	March 31, 2020	March 31, 2019
Loss before other income (loss)	**$(8,985,840)**	$(2,463,888)
Realized fair value amounts included in inventory sold	**1,603,145**	607,632
Unrealized gain on changes in fair value of biological assets	**349,503**	(3,430,788)
Net adjusted operating loss	**$(7,033,192)**	$(5,287,044)

Selected Quarterly Information:

During the eight most recent quarters, the following items have had a significant impact on the Company's results:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	$ 13,600,588	$ 3,101,842	$ 7,718,110	$ 8,568,599	$ 3,692,808	$ 2,970,400	$ 2,001,369	$ 2,089,163
Gross profit	(582,407)	15,717,570	(7,820,941)	3,663,089	3,312,250	(810,726)	2,789,625	2,015,327
Gain/Loss and comprehensive gain/lo:	$ (9,001,692)	$ (7,210,726)	$ (13,402,388)	$ 12,624,640	$ (2,403,887)	$ (7,715,284)	$ 9,904,660	$ (1,763,007)

Liquidity and Capital Resources

For the three months ended	March 31, 2020	March 31, 2019
Cash provided by (used in):		
Operating activities	**(16,320,176)**	(7,188,505)
Investing activities	**(1,395,570)**	(29,655,938)
Financing activities	**23,796,506**	35,487,099
Increase (decrease) in cash	**6,080,760**	(1,357,344)

Cash flow from operating activities

Cash used in operating activities was $16,320,176 in Q1 2020, compared to $7,188,505 in Q1 2019. Higher spending was a result of increased operating activity during the quarter compared to the same quarter in 2019. Cash outflow from operating activities mainly related to salaries and benefits, consulting fees, and general and administrative expenses.

Cash flow from investing activities

Cash used in investing activities was $1,395,570 in Q1 2020, compared to $29,655,938 in Q1 2019. Significant decrease in cash used in investing activities as the Company's production has been in full operation and did not require any significant additional capital expenditure investing during the period.

Cash flow from financing activities

Cash generated from financing activities was mainly due to the $25,000,000 financing subscription receipt from LiUNA Pension of Central and Eastern Canada during Q1 2020, offset by payment of lease liabilities and interest payments.

As at March 31, 2020, the Company had cash and cash equivalents of $14,182,504 (December 31, 2019: $8,183,744). Total current assets were $63,758,569 (December 31, 2019: $59,766,676), including inventory and biological assets of $37,835,447 (December 31, 2019: $38,952,777), with current liabilities of $16,767,791 (December 31, 2019: $29,148,067) resulting in working capital of $46,990,778 (December 31, 2019: $30,618,609). The Company's current ratio at March 31, 2020 was 3.8 (December 31, 2019: 2.1). The Company's current assets increased as a result of the cash raised during the quarter, and movement in inventory and biological assets, primarily driven by the increase in cultivation capacity at the greenhouse expansion as well as the outdoor grow.

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

Inventory

	March 31, 2020		December 31, 2019	
	$	**Grams**	$	Grams
Dried cannabis	**$ 19,287,504**	**10,536,378 g**	$ 18,032,160	12,583,351 g
Harvested work in progress	**1,746,651**	**1,211,272**	910,087	562,055
Extracts				
Resin	**7,148,076**	**266,900**	8,321,073	253,461
Crude oil	**1,872,048**	**221,527**	569,672	55,160
Finished oil	**2,088,031**	**1,430,550**	2,524,711	1,585,781
	11,108,155	**1,918,977**	11,415,456	1,894,402
Non-cannabis inventory	**1,275,675**		929,198	
	$ 33,417,985	**13,666,627 g**	$ 31,286,901	15,039,808 g

Total inventory increased by $2,131,084 or 6.8% from December 31, 2019 to March 31, 2020. The increases to cannabis inventory are as follows:

- Harvested finished goods increased by $1,255,344 to $19,287,504.
- Harvested work in progress increased by $836,564 to $1,746,651.
- Cannabis extracts decreased by $307,301 to $11,108,155.

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 require $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, 2020, 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. As at March 31, 2020, the Company has drawn $33,150,000 from Facility 2.

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. As at March 31, 2020, the Company has drawn $3,000,000 from Facility 3.

	Facility 1	Facility 2	Facility 3	Transaction costs	Total
	$ -	$	$	$	$
Proceeds		33,150,000	3,000,000	(418,611)	35,731,389
Interest	-	1,502,285	126,466	-	1,628,751
Accretion	-	-	-	97,106	97,106
Interest payments	-	(1,334,764)	(111,306)	-	(1,446,070)
Interst payable	-	(167,521)	(15,160)	-	(182,681)
Balance, December 31, 2019	**-**	**33,150,000**	**3,000,000**	**(321,505)**	**35,828,495**
	$	$	$	$	$
Interest	-	493,106	44,625	-	537,731
Accretion	-	-	-	33,438	33,438
Interest payments	-	(493,106)	(44,625)	-	(537,731)
Balance, March 31, 2020	**$ -**	**$ 33,150,000**	**$ 3,000,000**	**$ (288,067)**	**$ 35,861,933**
Current portion of loans and borrowings			2,946,911		
Long term portion of loans and borrowings			32,915,022		

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 ratio 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 recorded as restricted cash.

For the three months ended March 31, 2020, the Company was compliant with the applicable covenants. On June 30, 2020, the company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the Conversion Date was amended from June 30, 2020 to June 30, 2021, resulting in a deferral of certain covenants by 12 months, and quarterly principal repayments have been rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company maintain liquidity coverage of not less than $2,000,000 commencing July 1, 2020. In addition, the Company has agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

Unsecured Convertible Debentures

	Debentures	Warrants	Conversion Feature	Total
Balance, December 31, 2018	$ -	$ -	$ -	$ -
Issuance - September 25, 2019	8,258,713	1,447,359	1,558,694	11,264,766
Accretion of debentures	283,853	-	-	283,853
Conversion of debentures	(221,446)	-	(44,669)	(266,115)
Balance, December 31, 2019	$ 8,321,120	$ 1,447,359	$ 1,514,025	$ 11,282,504
Accretion of debentures	285,811	-	-	285,811
Balance, March 31, 2020	$ 8,606,931	$ 1,447,359	$ 1,514,025	$ 11,568,315

<u>2019 convertible debenture</u>

On September 25, 2019, the Company closed a bought-deal short-form prospectus offering of 13,115 convertible unsecured debentures units (the "2019 Unsecured Convertible Debentures") at a price per 2019 Unsecured Convertible Debenture of $1,000 for gross proceeds of $13,115,000 (the "Offering") with a syndicate of underwriters. The 2019 Unsecured Convertible Debentures bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The 2019 Unsecured Convertible Debentures have a maturity date of September 25, 2022 (the "Maturity Date"). The 2019 Unsecured Convertible Debentures are convertible at the option of the holder into Shares of the Company at any time prior to the earlier of (i) close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the 2019 Unsecured Convertible Debentures upon a change in control at a conversion price of $1.60 per Share (the "Conversion Price").

The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $3.20 for the consecutive 20 trading days preceding the notice.

Upon a Change of Control of the Company, holders of the 2019 Unsecured Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

In connection with the Company's 2019 Unsecured Convertible Debenture, the Company issued 8,196,875 warrants to the holders of the 2019 Unsecured Convertible Debentures. Each warrant is exercisable into one Share at the Conversion Price ($1.80) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $3,977,461 with reference to the Monte Carlo option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.53%; (iv) unit price of $1.33; (v) forfeiture rate of nil; (vi) expected life of three years.

Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The Monte Carlo option pricing model was deemed applicable to these warrants and the conversion feature 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 and conversion feature's expiry.
The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the 2019 Unsecured Convertible Debentures assuming a market interest rate of 20.92%, which was the estimated rate for the 2019 Unsecured Convertible Debentures without the equity component of the conversion feature. The effective interest rate of the 2019 Unsecured Convertible Debentures after reflecting issuance costs was 26.67%. The residual of the principal less the present value of the liability component was allocated to the conversion option and the warrants based on their relative fair value, resulting in an allocation of $1,814,709 to the conversion option and $1,685,087 to the warrants.

The fair value of the conversion feature has been estimated as $4,283,419 using the Monte Carlo pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free interest rate of 1.53%; (iv) share price of $1.33; forfeiture rate of nil; and (v) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

The Company also issued to the Underwriters 983,624 compensation warrants with a fair value of $587,293. 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.60 per share for a period of up to 36 months following the close of the Offering (Note 12(f)) and 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.80 per share for a period of up to 36 months following the close of the Offering (Note 12(g)). The Company paid $1,262,942 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability, warrants and conversion feature components in proportion to their initial carrying amounts.

During the year ended December 31, 2019, 350 of the Company's 2019 Unsecured Convertible Debentures were converted into 218,750 common shares at the option of the holder.

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

Contractual obligations
Contractual obligations as at March 31, 2020 are as follows:

Contractual Obligations	Less than 1 year	2 years	3 years	4 years	5 years	Total
Lease obligations	$ 1,331,022	1,723,548	454,099	238,331	818,156	4,565,156
Other Obligations	12,139	12,689	10,547	9,833	6,601	51,809
Total Contractual Obligations	$ 1,343,161	1,736,237	464,646	248,164	824,757	4,616,965

Transactions with related parties
The Company's key management includes the CEO, CFO, and all directors. 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, which are non-interest bearing, unsecured, and have no fixed repayment terms.

The balances outstanding are as follows:

As at	**March 31, 2020**	December 31, 2019
Accounts payable and accrued liabilities	**$ 149,856**	$ 172,163

For the three months ended March 31, 2020 and 2019, total remuneration and service fees paid to key management were as follows:

For the three months ended	**March 31, 2020**	March 31, 2019
Share based compensation		$ 373,179
Salaries	**168,598**	126,570
Bonus	**110,000**	116,316
	$ 278,598	$ 616,065

During the three months ended March 31, 2020, nil stock options (three months ended March 31, 2019: 297,500) were issued with a fair value of $nil (three months ended March 31, 2019: $307,005) with a recorded share-based compensation of $nil (three months ended March 31, 2019: $140,431) to certain key management personnel.

Disclosure of Outstanding Share Data

As of July 14, 2020, the following were outstanding:

Common Shares	**210,261,715**
Warrants	**12,805,499**
Stock and Broker Compensation Options	**15,436,793**

RISK FACTORS

In addition to the more fulsome description of the Company's risks under the section "Risk Factors" in the 2019 annual MD&A, the Company is providing the following specific risk updates for March 31, 2020.

Infectious Disease and Pandemic Risk

Infectious diseases and pandemics, such as the COVID-19 pandemic, and related government responses could have a material and adverse effect on our business, financial condition, and results of operations by adversely impacting our operations, supply chains, interactions with consumers and counterparties, and ability to meet consumer demand. The impact of infectious diseases and pandemics on our business will vary depending on the duration, severity, and scope of the outbreak and the actions taken by applicable governmental entities to address and mitigate the infectious disease or pandemic.

SUBSEQUENT EVENTS

On June 30, 2020, pursuant to the agreement announced on April 1, 2019, the Company signed an extension of the start of its principal repayments on its credit facility with BMO to December 31, 2020, from June 30, 2020. The terms of the agreement remained relatively unchanged, except for 50 basis points increase to interest rates.