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WeedMD Inc.

Form 51 – 102 F1

Management's Discussion & Analysis

First Quarter Ended March 31, 2018

Effective Date – May 30, 2018

Notice to Reader

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 month period ended March 31, 2018, should be read in conjunction with the Company's condensed interim consolidated financial statements and accompanying notes for the three month period ended March 31, 2018 and the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards and are incorporated by reference herein and form an integral part of this MD&A. All dollar amounts are in Canadian Dollars unless stated otherwise. These documents can be found under the Company's profile on the SEDAR website at www.sedar.com.

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

Cautions Regarding Forward-Looking Statements

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

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

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

Summary Description of WeedMD

WeedMD Inc., formerly Aumento Capital V Corporation ("Aumento"), is a publicly listed company on the TSX Venture Exchange ("TSXV") that trades under the ticker symbol "WMD". The registered and head office of the Company is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

The condensed interim consolidated financial statements of WeedMD as at March 31, 2018 are comprised of WeedMD and its wholly-owned subsidiaries: WeedMD Rx Inc. ("WeedMD Rx"), WeedMD Rx Ltd. and WMD Ventures Inc. (collectively, "WeedMD" or the "Company"). WeedMD Rx Ltd. and WMD Ventures Inc. are currently dormant.

WeedMD Rx was incorporated on March 26, 2013 under the Canada Business Corporations Act as 8472106 Canada Inc. On January 7, 2014, the Company filed its articles of amendment, changed its name to WeedMD Rx Inc. and commenced operations. On April 22, 2016, WeedMD was licensed to produce cannabis under the federal Access to Cannabis for Medical Purposes Regulations ("ACMPR"). As per Health Canada's customary practice at that time, the initial license had a one-year term and was for production only. Subsequent to securing this license, the Company commenced operations and successfully ramped up production, with its first plants being harvested in October of 2016. As a next step, WeedMD satisfied Health Canada that its growing processes resulted in finished product that met the strict quality control standards and the Good Production Practices ("GPP") set out in the ACMPR. On April 28, 2017, the Company's license was renewed for a one-year term and amended to add the activity of sale of dried cannabis and the sale of live cannabis plants. Under the amended license, the amount of cannabis that WeedMD is permitted to produce and store is limited only by the capacity of the vault that it has built at its facility. This capacity is based upon the security level of the vault, as per Health Canada standards. As the Company has a highly secure level 10 vault, this limit is $150 million. On June 16, 2017 the Company's license was extended to April 24, 2020.

On June 16, 2017 WeedMD received a further amendment to its license allowing for the production of cannabis oil. Subsequent to this event, the Company successfully produced, packaged and tested several batches of oil. On October 5, 2017, Health Canada performed an inspection related to WeedMD's application for the license amendment to allow for the sale of cannabis oil and was granted a license to sell cannabis oil on December 1, 2017.

WeedMD currently operates a 25,620 sq. ft. former Imperial Tobacco facility in Aylmer, Ontario (the "Aylmer Facility"), which it has retrofitted into a secure cannabis production facility with an annual production capacity in excess of 1,500 kg. In 2017, the Company commenced the retrofit of a 217,800 sq. ft. greenhouse ("Greenhouse Expansion"). Pursuant to the ACMPR, WeedMD has a license to produce and sell both dried medical cannabis and oil, as well as starting materials for those patients choosing to 'grow their own' and to other Licensed Producers. All of its assets and operations are located in Canada.

On April 13, 2017, the Company completed a transaction by way of a three-cornered amalgamation (the "Amalgamation") among WeedMD Rx, Aumento, and a wholly-owned subsidiary of Aumento (the "Transaction"). The Transaction resulted in the acquisition by Aumento of all the issued and outstanding securities in the capital of WeedMD Rx, which became a wholly-owned subsidiary of the Company. As part of the Transaction, Aumento changed its name from "Aumento Capital V Corporation" to "WeedMD Inc." Pursuant to the Transaction, the shareholders of WeedMD Rx were issued 1.25 common shares in the Company for each common share of WeedMD Rx registered in the names of such shareholders. Additionally, holders of WeedMD Rx options and warrants outstanding at the time of closing the Transaction also received equivalent instruments of the Company exercisable for or convertible into the Company's common shares.

WeedMD's team includes industry and health professionals with significant experience and expertise in seniors' care, long-term care ("LTC") and assisted living. The Company has developed a program which will provide access to medical cannabis within senior's homes through stakeholder education and training, prescription, delivery, tracking and research. Critically, this program has been created to fit within the existing standard operating procedures, policies and protocols of LTC, which, like medical cannabis, is a highly-regulated industry.

WeedMD has also hired leading growers, quality assurance and research and development ("R&D") professionals to manage production and control plant physiology, phyto-sanitary issues and active ingredient concentrations.

Operational Highlights

Greenhouse Expansion

On November 21, 2017, WeedMD entered into a definitive lease and purchase option agreement with Perfect Pick Farms Ltd. ("Perfect Pick"), a large-scale modern greenhouse cultivator located in Strathroy, Ontario. Perfect Pick's 98-acre property includes 610,000 sq. ft. or 14 acres of state-of-the-art greenhouse facilities that are ready for rapid retrofit for cannabis cultivation. WeedMD will initially lease 217,800 sq. ft. or 5 acres of greenhouse, with an option to expand into the remaining 392,040 sq. ft. or 9 acres of greenhouse space at its discretion. The agreement also includes an option to purchase the property, greenhouse facilities and infrastructure ("Purchase Option").

This transformational expansion, among the most capital efficient in the industry, will increase WeedMD's annual production to more than 21,000 kg of cannabis. The retrofit is fully funded with the Company's current treasury and once fully retrofitted, the 14-acre facility will increase WeedMD's annual production capacity to more than 50,000 kg. The Company is well into the initial retrofit, with Phase I nearing completion and its first harvest expected in summer 2018 (pending licensing). With Phase II of the expansion, the Company will begin to retrofit another 175,000 sq. ft. of greenhouse space, which will result in additional annual production of 12,000 kg. This will increase the production area to a total of 395,000 sq. ft. and the Company's annual production to more than 33,000 kg.

Highlights of WeedMD's Large-Scale Greenhouse Expansion:

- Strategic partnership with established Ontario greenhouse management and cultivation team, bringing 40 years of cultivation expertise and experience to WeedMD and an ability to rapidly scale production. Perfect Pick is a family-run business that will provide a large portion of the skilled labor required to operate the facility.
- The facility is located in Strathroy, 30 km west of London, Ontario, and 60 km from WeedMD's existing licensed facility in Aylmer, Ontario. Health Canada has provided approvals to proceed with the expansion, which will become a second-site license for WeedMD.
- Initial leased space of 217,800 sq. ft. of existing greenhouse space, capable of producing more than 20,000 kg of cannabis per year, with first harvest expected in summer 2018 (pending licensing).
- Retrofit costs of less than $70 per sq. ft. is amongst lowest in the industry, given the favourable condition of the existing greenhouse facilities and supporting infrastructure.
- WeedMD has the option to expand into the entire 14 acres or 610,000 sq. ft. of existing greenhouse at its discretion, which will represent more than 50,000 kg of annual production.
- WeedMD has the option to acquire 100% interest in Perfect Pick's property, consisting of up to 98 acres of land, infrastructure and cultivation equipment. The combination of a lease with an option to purchase is a compelling and capital efficient expansion strategy.

Transaction Details:

- Lease: WeedMD has entered into a two-year lease agreement with Perfect Pick to lease an initial 217,800 sq. ft. of greenhouse space for $180,000 per year per acre, with the option to increase the leased space to cover the balance of an additional 392,040 sq. ft. of greenhouse. WeedMD has the option to extend the term of the lease for an additional 10 years.
- Down payment on Purchase Option: WeedMD has issued 3,000,000 shares from treasury at a price of $1.56 per share, with the shares subject to four-month regulatory hold in addition to a 36-month lock-up and leak-out agreement with monthly releases. The Company has also issued 3,000,000 share purchase warrants, with each warrant exercisable into a common share of WeedMD at an exercise price $1.56 per share for a period of five years.
- Purchase Option: WeedMD has the option to acquire a 100% interest in the property for the balance of $22.6 million in cash payments, comprised of (i) $15.6 million upon exercise of the option, and (ii) $7.0 million upon the satisfaction of certain performance-related milestones. This option has a five-year term and the Company has already commenced discussions with various lenders, who are interested in providing debt financing secured against the property on commercially reasonable terms once the Purchase Option is exercised.

Purchase of Aylmer Facility

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

Technion Partnership

On February 14, 2018, the Company announced that it had entered into a partnership with the Technion-Israel Institute of Technology to collaborate on the research of 25 of WeedMD's strains.

Dealer's License

On March 1, 2018, the Company announced that it had applied for a dealer's license under the Controlled Drugs and Substances Act ("CDSA"). When secured, the dealer's license will enable the Company to conduct R&D as well as store and export cannabis derivatives that are not permitted under the ACMPR.

TS Brandco Holdings Inc. Partnership

On November 15, 2017 WeedMD and TS BrandCo Holdings Inc. ("Tokyo Smoke"), signed a definitive five-year agreement whereby WeedMD will distribute two strains of cannabis under the Van der Pop ("VdP") brand in Canada. VdP-branded strains were made available through WeedMD's website by the end of 2017.

In connection with the branding agreement, the Company has agreed to issue to Tokyo Smoke 76,923 common shares of the Company, of which 25% have been issued to date. In addition, the Company has agreed to issue to Tokyo Smoke 50,000 warrants with an exercise price of $1.49 per common share of the Company exercisable for two years, of which 25,000 warrants will vest and be exercisable upon the cumulative shipments of 150 kilograms of flower (or the equivalent amount of oil), and the other 25,000 warrants will vest and be exercisable upon the cumulative shipments of 300 kilograms of flower (or equivalent amount of oil).

Seniors Care Program Development

WeedMD has developed a comprehensive and proprietary program that provides education, administration and the standard operating procedures required to properly service the medical cannabis needs of the elderly. The program has been validated through the Company's first agreements with LTC facilities (note below). Currently, the seniors care division at WeedMD is ramping up to further facilitate the expansion and adoption of our program.

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

Long-term Care Supply Contracts

On September 22, 2017, WeedMD announced that it had signed the first series of agreements to supply medicinal cannabis products with three LTC and retirement home providers. These include peopleCare Communities, Arbour Heights, and the Belmont Long Term Care Facility, which together total nine homes with more than 1,000 beds across Ontario. On December 14, the Company announced that it had signed another contract to educate and supply 20 LTC and retirement facilities operated by Jarlette Health Services, representing a further 2,000 beds.

The Company will continue to focus on securing additional supply contracts in the LTC assisted living and seniors' markets offering its proprietary integrated care program along with its cannabis products.

Production Progress

During the quarter the Company continued to successfully calibrate its operations, resulting in steadily increased production with decreased associated costs to produce each gram.

Strain Development

WeedMD owns an extensive library of genetic strains of cannabis. These are currently represented in seed form, in profiling and development stage as well as in commercial cultivation. New strains continue to be developed and many have been made commercially available throughout 2017.

Sales of Dried Cannabis and Live Cannabis Plants to Patients

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

Sales to Licensed Producers

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

Corporate Highlights

Convertible Debenture Financing

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

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

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

Updated for March 31,2018, total of $5,000,000 of the Convertible Debentures have been converted to common shares, leaving a total of $10,000,000 in Convertible Debentures outstanding.

Equity Financing

On January 11, 2018, the Company closed a short form prospectus offering with a total of 16,046,511 units of the Company (the "Units") sold at a price of $2.15 per Unit (the "Issue Price") for aggregate gross proceeds of $34,500,000 (the "Offering"). The Offering was completed by a syndicate of underwriters including Eight Capital as sole bookrunner and co-lead underwriter with Mackie Research Capital Corporation and including Haywood Securities Inc. (the "Underwriters").

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

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

The Company intends to use the net proceeds of the Offering to expand its lease footprint and retrofitting plans and operations at its 14-acre Strathroy Greenhouse, to purchase and further develop the Aylmer Facility, to pursue potential strategic domestic and international opportunities and for working capital and general corporate purposes.

Warrant and Stock Options Exercise

In the three months ended March 31, 2018, the Company issued 2,401,102 common shares from the exercise of warrants and broker warrants at exercise prices in a range of $0.60 to $1.00 per share for net proceeds in total of $1,835,947.

In the three months ended March 31, 2018, the Company issued 342,416 common shares for the exercise of stock options at exercise prices in a range of $0.60 to $0.70 per share for net proceeds of $246,836.

Stock Options Grant

In the three months ended March 31, 2018 the Company granted 3,013,000 stock options to its directors, officers, employees and consultants. Each option is exercisable into one common share at an exercise price of $2.36, until January 12, 2023. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 93.3%; (iii) risk-free interest rate of 2.01%; (iv) share price of $2.36; forfeiture rate of nil; and (v) expected life of 60 months. The total fair value of the options is $5,104,306. Total share-based compensation for the three months ended March 31, 2018 is $Nil, as the options have not vested.

Liquidity Event

On April 13, 2017, the Company completed a transaction by way of a three-cornered amalgamation (the “Amalgamation”) among WeedMD Rx Inc., WeedMD Inc. (formerly Aumento Capital V Corporation), and a wholly-owned subsidiary of the Company (the "Transaction"). The Transaction resulted in the acquisition by the Company of all the issued and outstanding securities in the capital of WeedMD Rx Inc., which became a wholly-owned subsidiary of the Company.

Pursuant to the Transaction, the shareholders of WeedMD Rx Inc. were issued 1.25 common shares in the Company for each common share of WeedMD Rx Inc. Additionally, holders of WeedMD Rx Inc.’s options and warrants outstanding at the time of closing the Transaction also received equivalent instruments of the Company exercisable for or convertible into the Company’s common shares.

As part of the Transaction, the Company changed its name from "Aumento Capital V Corporation" to "WeedMD Inc.” and commenced trading its common shares on the TSX Venture Exchange under the ticker symbol “WMD”.

<u>Industry Trends</u>

The Canadian Medical Cannabis Market

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

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

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

Health Canada provides quarterly reports on the industry. In the most recent release, December 31, 2017, they reported that 269,502 patients had enrolled into the ACMPR program. This shows significant growth from December 31, 2016, at which time there were just under 130,000 patients registered in the program. By 2024, Health Canada estimates that there will be 450,000 patients using medical cannabis, with the associated market worth an estimated $1.3 billion.

Legalization of Adult-Use Cannabis

CIBC World Markets has estimated that the potential value of a legalized cannabis market in Canada ranges from $5 to $10 billion per year, with Deloitte projecting a total economic impact of over $22 billion (inclusive of related industries and services). For reference, Statistics Canada valued the Canadian beer market in 2014 at $8.7 billion.

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 for further review before a third and final reading, expected on or before June 7, 2018. If no amendments are made, the coming into force (i.e. first adult use sales) would potentially be set for a date in August or September of 2017.

On November 21, 2017, the government announced proposed regulations for the legalization of cannabis. Of note, the proposed regulations include:

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

Under the proposed federal legislation, the provinces will be responsible for the distribution of cannabis. So far, a number of provinces have put forward their own legislation or intentions for legislating the distribution and sale of cannabis. Ontario, Quebec, Prince Edward Island, New Brunswick, Nova Scotia, Yukon and the Northwest Territories announced that their provincial liquor control groups will manage the distribution and sale (physical and online) of adult-use cannabis, while BC, Saskatchewan, Alberta, Manitoba, and Newfoundland & Labrador would allow some form of private retail with their respective provincial liquor control groups overseeing distribution. The provinces are moving at an accelerated pace to set regulations, with store locations in government-run models (i.e. Ontario and Quebec) being identified, and competitive bidding processes for private retail already underway in a number of provinces.

Overall Performance

In the three months ended March 31, 2018, WeedMD continued with the registration of patients and the sale of its products and recorded revenues of $1,142,341 as compared to $Nil in the same period of prior year.

Included in the loss before other income and expenses are certain non-recurring expenditures as follows:

Adjusted Operating Loss

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

	Three months ended March 31,	
	2018	**2017**
Loss	**$ (1,321,497)**	**$ (1,192,474)**
Finance costs	647,115	818,162
Investment income	(125,000)	
Interest revenue	(131,664)	(11,067)
Loss before other income and expenses	$ (931,046)	$ (385,379)
Realized loss on changes in fair value of biological assets included in inventory sold	1,107,289	-
Gain on change in fair value of biological assets	(1,455,682)	(684,990)
Adjusted Operating Loss	$ (1,279,439)	$ (1,070,369)

Adjusted first quarter operating loss increased to $1,279,439 from $1,070,369 in prior year due to increase in headcount, increased expenses associated with being a public company and marketing costs associated with the expansion of operation and sales.

Total net and comprehensive loss for three months ended March 31, 2018 was $1,321,497 as compared to $1,192,474 for the three months ended March 31, 2017. The comprehensive loss in the first quarter of 2018 includes a net non-cash gain of $348,393 changes in fair value of biological assets ($684,990 in the first quarter of prior year); $372,266 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($818,162 in the first quarter of prior year). In the first quarter of 2018 the Company's equity invested $750,000 in equity investment projects and generated investment income of $125,000 (first quarter 2017: $Nil)

General Financial Condition

As at March 31, 2018 WeedMD had working capital of $51,116,563 compared to a working capital of $25,713,807 as at December 31, 2017. The Company had cash on hand as at March 31, 2018 of $48,460,059 (December 31, 2017: $24,692,678) and relies on operating cash flow from sales of medical cannabis products and future equity and/or debt financings to fund its operations.

Results of Operations

Three Months Ended March 31,	2018	2017
	$	$
Revenue	1,142,341	-
Net Comprehensive Loss	1,321,497	1,192,474
Cash Used from Operations	1,597,568	1,409,631
Loss per Share (Basic and Diluted)	(0.01)	(0.03)

As at	March 31, 2018	December 31, 2017
	$	$
Total Assets	73,801,391	39,605,187
Total Liabilities	12,521,353	14,472,639
Working Capital	51,116,563	25,713,807

Revenues

WeedMD commenced sales of its medical cannabis products in May 2017 and recorded revenues of $1,142,341 in the three months ended March 31, 2018 (three months ended March 31, 2017: $Nil). Revenues consisted of the sale of dried medical cannabis, live cannabis plants and cannabis oil. Total dried product sold for the period was 53,386 grams (first quarter 2017: $Nil) at an average selling price of $6.47 per gram.

Cost of Sales

Included in the cost of sales are the net change in fair value of biological assets and production costs. Biological assets consist of cannabis plants at various pre-harvest or pre-distribution stages of growth. These plants are recorded at fair value less costs to sell at the point of harvest or sale. For cannabis plants that are harvested, at harvest, the biological assets are transferred to inventory at their fair value, which becomes their deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offset against the unrealized gain on biological assets. Production costs are expensed through cost of sales. Net cost of sales for the three months ended March 31, 2018 was $198,882 (first quarter 2017: Nil), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $348,393 (first quarter 2017: $684,990).

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

Amortization

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

Total amortization expense incurred for the three months ended March 31, 2018 was $132,292 (first quarter 2017: $96,453), of which $15,640 (2017: $5,338) was recorded in the Company's depreciation expense, $93,896 was allocated to production cost (2017: 74,768) and $22,756 (2017: 16,347) was capitalized into finished goods.

General and administrative expenses

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

Rent and occupancy costs

Rent and occupancy expenses were incurred for the lease of its 25,620 sq. ft. premises in Aylmer, and office rent.

In the three months ended March 31, 2018, WeedMD incurred $188,836 in rent and occupancy costs (first quarter 2017: $183,913), of which $49,383 (first quarter 2017: $33,517) was recorded as rent and occupancy expenses; $125,882 (first quarter 2017: $128,899) in production costs and $13,568 (first quarter 2017: $21,497) in finished goods.

Wages and salaries

In the three months ended March 31, 2018 WeedMD incurred wages and salaries expenses of $736,959 (first quarter 2017: $344,036), of which $451,755 (first quarter 2017: $154,443) was recorded as expense, $187,120 (first quarter 2017: $137,000) recorded in production cost and $98,084 (2016: $52,593) in finished goods.

The Company has employed industry experts and skilled personnel from the medical cannabis sector. The increase in wages and salaries expense is due to an increase in headcount required to successfully scale up production and sales. At the end of the three months ended March 31, 2018, the Company employed 55 people and with the growth in operations and sales, the Company expects a proportionate growth in headcount.

Office and Administration

Included in Office and Administration are expenses related to marketing, mail and postage, association memberships, software maintenance, telephone, internet, website and insurance costs. In the three months ended March 31, 2018, the Company incurred Office and Administration expense of $700,072 (first quarter 2017: $523,138).

Share-Based Compensation

The Company records share-based payments with a corresponding increase to the contributed surplus account. In the three months ended March 31, 2018, the Company granted 3,013,000 stock options to its directors, officers, employees and consultants. Each option is exercisable into one common share at an exercise price of $2.36 until January 12, 2023 (first quarter 2017: Nil stock option granted). Up to March 31, 2018, $37,620 stock-based compensation expenses recorded upon vested options (first quarter 2017: $Nil).

Net Loss for the period

The Company reported a net loss and comprehensive loss of $1,321,497 for the three months ended March 31, 2018 (first quarter 2017: $1,192,474).

Liquidity and Capital Resources

As at March 31, 2018, WeedMD had cash of $48,460,059 (December 31, 2017: $24,692,678). Total current assets amounted to $55,018,945 (December 31, 2017: $28,834,775), in which including inventory and biological assets of $3,470,445 (December 31, 2017: 3,054,222) and fair value for shares and warrants issued as down payment of an option agreement of $5,892,350 (December 31, 2017: $5,892,350); with current liabilities of $3,902,382 (December 31, 2017: $3,120,968), resulting in working capital of $51,116,565 (December 31, 2017: $25,713,807).

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

Off-Balance Sheet Arrangements

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

Contractual Obligations

The Company leases the Aylmer Facility, for a term of 5 years starting May 1, 2014 for a base rent of $16,013 per month plus applicable taxes. The Company has an option to extend the lease for an additional 3 terms of 5 years each. In addition, the Company has an option to purchase the property for $1,500,000 anytime during the term of the lease. In the three months ended March 31, 2018, the Company exercised the option to purchase the Aylmer Facility.

On November 22, 2017, the Company entered a lease for the Greenhouse Expansion, for a term of 2 years for a base rent of $1.00 for the first acre with an option to lease an additional 13 acres for $180,000 per annum per acre. The company has the option to extend the lease for an additional 10 terms of one year each. In addition, the Company has an option to purchase the 98-acre property for $27,280,000. As at March 31, 2018, the Company was leasing 5 acres.

Within 1 year	$	755,010
Within 2 years		488,647
Within 3 years		-
Within 4 years		-
Within 5 years		-
	$	1,243,657

Transactions with Related Parties

The Company's key management includes Bruce Scully, CEO, Keith Merker, CFO, Dr. Luc Duchesne, CSO, Directors and the Secretary of the Board. Transactions with related parties include:

- Salaries and service fee;
- Loans payable without bearing interest and due at demand; and
- Loans receivable with interest rate as the prime rate per annum +1.5% and due at demand.

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

The balances outstanding are as follows:

		March 31, 2018		December 31, 2017
Accounts payable and accrued liabilities	**$**	**19,908**	$	77,399
	$	**19,908**	$	77,399

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

For the three months ended March 31,		**2018**		2017
Salaries		**160,500**		93,543
Fees		**18,612**		65,076
	$	**179,112**	$	158,619

1,700,000 stock options were issued in the three months ended March 31, 2018 to certain key management personnel with $Nil recorded in share-based compensation as none of the stock options vested in the period (three months ended March 31, 2017: Nil).

Property and Equipment

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

Total amortization for the three months ended March 31, 2018 was $132,292 (Q1 2017 - $96,453), of which $22,756 (Q1 2017 - $16,346) has been capitalized in inventory, $93,896 (Q1 2017 - $74,768) is included within production costs, and $15,640 (Q1 2017 - $5,338) is included in amortization expense.

As at March 31, 2018, improvements with a carrying value of $6,265,186 (December 31, 2017: $2,758,780), were not yet available for use. As such, the cost of the assets has been capitalized but not yet amortized.

Summary of Quarterly Results

	Q2-17	Q3-17	Q4-17	Q1-18
Revenue	$ 235,659	$ 356,479	$ 858,924	$ 1,142,341
Loss before other income and expenses	(3,145,019)	(566,565)	(1,996,521)	(931,046)
Net comprehensive loss	(4,759,844)	(557,807)	(3,438,170)	(1,321,497)
Loss per Share	$ (0.08)	$ (0.01)	$ (0.05)	$ (0.01)

	Q2-16	Q3-16	Q4-16	Q1-17
Revenue	$ -	$ -	$ -	$ -
Loss before other income and expenses	(24,168)	(10,572)	(57,581)	(49,401)
Net comprehensive loss	(24,168)	(10,572)	(57,581)	(49,401)
Loss per Share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

The quarters beginning Q2-16 through Q1-17 represent the results of Aumento.

Risk Factors

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

Reliance on License

The Company's ability to grow, store and sell medical cannabis in Canada is dependent on the Company's License from Health Canada. The License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company.

Regulatory Risks

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

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

While to the knowledge of management, the Company is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

The ACMPR is a new regime established in August 2016. As such, revisions to the regime could be implemented which could have an impact on the Company's operations. There is also some uncertainty regarding the likely interpretation of certain regulatory provisions by the regulator. Changes in legislation or regulator interpretation could negatively impact the operations of the Company. Similarly, a change in government could result in meaningful changes to the regulatory regime under which the Company operates, which could negatively impact its operations.

Limited Operating History

WeedMD was incorporated and began operations in 2013. The Company has yet to generate significant revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on a Single Facility

To date, the Company's activities and resources have been primarily focused on its facility in Aylmer, Ontario. Adverse changes or developments affecting the Aylmer facility, including but not limited to a breach of security, could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under or to renew its License.

Reliance on Management

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

Factors which may Prevent Realization of Growth Targets

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

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

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

The Company has a history of Net Losses, may incur Significant Net Losses in the future and may not achieve or maintain Profitability

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

Additional Financing

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions.

There can be no assurance that additional financing will be available to the Company when needed or on terms, which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

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

Competition

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

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

Risks Inherent in an Agricultural Business

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

Vulnerability to Rising Energy Costs

WeedMD's medical cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions

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

Unfavourable Publicity or Consumer Perception

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

Product Liability

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

Product Recalls

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

Reliance on Key Inputs

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

Dependence on Suppliers and Skilled Labour

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

Difficulty to Forecast

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

Operating Risk and Insurance Coverage

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

Management of Growth

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

Conflicts of Interest

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

Litigation

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

The Market Price of the Company's Common Shares may be Subject to Wide Price Fluctuations

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

Dividends

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

Limited Market for Securities

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

Environmental and Employee Health and Safety Regulations

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

Volatile Market Price for the Common Shares

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

a) New Standards Adopted in Current Year

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

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

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of medicinal cannabis would be recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements. Note that as a result of IFRS 15, the disaggregated revenue has been disclosed in Note 16.

b) New Accounting Standards to be Adopted in the Future

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

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

Disclosure of Outstanding Share Data

As of May 30, 2018, the following is outstanding:

Common Shares:	101,281,917
Warrants:	11,269,255
Stock Options:	6,959,816

Subsequent Events

Conversion of Debentures

On April 17, 2018, $1,000,000 of the Debentures were converted into 833,333 Shares at a conversion price of $1.20 per Share.

On May 14, 2018, $7,200,000 of the Debentures were converted into 6,000,000 Shares at a conversion price of $1.20 per Share.

The Debentures mature on November 2, 2019 (the “Maturity Date”) and are convertible at the option of the holder into Shares at a price of $1.20 per share prior to the Maturity Date.

Merger with Hiku Brands

On April 19, 2018, WeedMD and Hiku Brands Company Ltd. (“Hiku”) (CSE:HIKU) announced that they had entered into a definitive agreement to merge both companies and create a vertically integrated cannabis company (the “Transaction”). The Transaction combines two highly-complementary businesses and creates a unique and market differentiating vertically integrated company. Upon completion of the Transaction, existing Hiku and WeedMD shareholders will own approximately 51.75% and 48.25% of the combined company respectively, on a fully-diluted basis. Pending the required approvals, it is anticipated that the common shares of the pro forma resulting entity will be listed on the TSX Venture Exchange once the Transaction is closed.

Highlights of the Transaction:

- **Vertically Integrated Operations Secure Control Over Entire Cannabis Value Chain:** The combined entity will leverage Hiku’s growing retail operations as sales channels for premium cannabis supply, allowing for the realization of superior wholesale and retail margins. The Transaction ensures the Company’s control over both upstream and downstream components of the cannabis value chain
- **Highly Complementary Strengths:** The Transaction combines Hiku’s portfolio of iconic brands, visionary marketing and experiential retail stores with WeedMD’s scalable cannabis production capabilities, medical business, deep genetics library and innovative research and development initiatives
- **Leadership with Significant Experience:** Experienced management team with leading capabilities in branding, marketing, retail and cannabis production
- **Dynamic Retail Growth Across Canada:** The combined company plans to aggressively pursue the expansion of its existing retail store network, including the addition of legal retail cannabis stores and online cannabis sales channels where permitted in British Columbia, Alberta, Saskatchewan and Manitoba where Tokyo Smoke was conditionally awarded one of four master licenses for retail cannabis sales
- **Superior and Diversified Cannabis Cultivation:** This combination will bring together four indoor and greenhouse growing facilities, two of which are currently licensed, and two of which are currently being retrofitted, in Ontario and British Columbia, with the option for future expansion on more than 100 acres of property at the existing sites. Current planned capacity will exceed 56,000 kg by mid-2019
- **Extensive and Unique Genetics:** Deep library of unique cannabis genetics is the basis for premium cannabis products in both the adult-use and medical markets
- **Enhanced Capital Markets Profile:** Increased scale of the combined company will enhance its capital markets profile and trading liquidity
- **Expanded Platform for Future Growth:** Together, the combined company will have substantial and burgeoning infrastructure to support the acceleration of future product development and expansion
- **Synergies from being Vertically Integrated:** Having branded stores, cannabis dispensing stores, and production facilities ensures a vertically integrated company that can best drive greater margins in the wholesale and retail markets of the cannabis sector

Transaction Summary

The Transaction will be carried out by way of a plan of arrangement of WeedMD under the Business Corporations Act (Ontario), pursuant to which WeedMD shareholders will receive 1.4185 Hiku common shares (each, a “Hiku Share”) in exchange (the “Exchange Ratio”) for each WeedMD common share (a “WeedMD Share”), representing the equivalent of C$2.52 per WeedMD Share and a premium of 60% based on the closing prices of Hiku Shares on the Canadian Stock Exchange (“CSE”) and the WeedMD Shares on the TSX-V on April 18, 2018, and a premium of 79% based on the 20-day volume-weighted-average-price (“VWAP”) of the Hiku Shares on the CSE and WeedMD Shares on the TSX-V as of April 18, 2018. In addition, each outstanding option and warrant to purchase a WeedMD Share will be exchanged for an option or warrant, as applicable, to purchase a Hiku Share, based upon the Exchange Ratio.

The implementation of the Transaction will be subject to the approval of at least 66 2/3% of the votes cast by holders of WeedMD Shares at the annual and special meeting of WeedMD shareholders expected to take place in June 2018. In addition to the WeedMD shareholder approval, the Transaction is also subject to the receipt of certain regulatory, court and stock exchange approvals and certain other closing conditions customary in transactions of this nature.

Further information regarding the Transaction will be included in WeedMD’s information circular that the Company will prepare, file and mail in due course to its shareholders in connection with the annual and special meeting of WeedMD shareholders to be held to consider the Transaction. All WeedMD shareholders are urged to read the information circular once it becomes available as it will contain additional important information concerning the Transaction. The Arrangement Agreement will be filed on the SEDAR profiles of Hiku and WeedMD on the SEDAR website at www.sedar.com.

Stock options granted

On May 18, 2018, the Company granted 500,000 stock options to employees and consultants. Each option is exercisable into on common share at an exercise price of $1.80, until May 17, 2023.