WeedMD Inc.

Management's Discussion & Analysis

For the three and twelve months ended December 31, 2020

May 29, 2021

INTRODUCTION

The following annual Management's Discussion & Analysis ("MD&A") discusses the financial condition and results of operations of WeedMD Inc. (the "Company" or "WeedMD") for the three and twelve months ended December 31, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes thereto as at and for the three and twelve months ended December 31, 2020, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

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 same period of the prior year and the comparable period, where applicable. We also provide analysis and commentary that we believe is required to assess the Company's future activities. 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.

We monitor the following key performance indicator ("KPI") to help us evaluate our business, measure our performance, and make strategic decisions. It provides a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Our KPIs may be calculated in a manner different than similar ones used by other companies.

1. ***Yield per plant:*** *The expected number of grams ("g") of finished cannabis inventory, which is expected to be obtained from each cannabis plant, adjusted for expected wastage. The Company uses this metric to more easily compare yield given that the number of plants harvested in the period 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 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 to more easily compare costs given that the number of plants grown and produced 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 (loss) 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 measure of the period's results.*

4. ***Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization (Adjusted EBITDA):*** *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 May 29, 2021. Per WeedMD's press release dated April 21, 2021, the filing of its audited annual financial statements, management's discussion and analysis, and related CEO and CFO certifications for the financial year ended December 31, 2020 were delayed beyond the filing deadline of April 30, 2021 due to a changeover of CFO as announced.

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 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 Starseed Holdings Inc. and WeedMD Rx Inc. ("Starseed"), both of which, directly, or through its subsidiaries, are Canadian licence holders 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 presently operates and holds licenses for three facilities. Weed MD:

- Owns a 158-acre property in Strathroy, Ontario with up to 550,000 square feet ("sq. ft.") of greenhouse footprint delivering the quality and control of indoor facilities and up to 100 acres of outdoor cultivation area providing cost-effective and tailored grown input biomass for cannabis 2.0 products ("Strathroy Facility").
- Owns a 26,000 sq. ft. indoor facility in Aylmer, Ontario, which specializes in cannabis extraction, processing, product development and fulfillment to capture the full margin for new products introduced to market ("Aylmer Facility").
- Leases a 14,850 sq. ft. indoor facility in Bowmanville, Ontario, acquired through the Starseed acquisition ("Bowmanville Facility").

The Company is committed to producing and supplying the very best cannabis products for Canadian adult recreational users and medical patients, by building a strong, agile, and efficient cannabis company. WeedMD is focused on strengthening and growing its position in the medical and adult-use cannabis cultivation, processing and distribution market, and intends to become a leader in the Canadian cannabis market.

The Company expects consumer demand for recreational products to be an exciting opportunity for sustainable growth. The fundamentals of the Canadian cannabis industry are strengthening as retail store build-out across Canada accelerates. Ontario, the largest provincial adult-use market, has been underserved by retail on a per-capita basis to date. According to *Ontario Cannabis Store*, Ontario had 700 retail stores in operation as of May 2021 leaving plenty of room to grow. Expanded retail presence will increase the addressable market and allow for greater consumer education, which is expected to be beneficial in supporting the growth of the Company's consumer brands including the award-winning Color Cannabis® products and Saturday Cannabis®, in the adult-use segment. As a result of adult-use legalization, the adult-use market is expected to continue to represent a higher proportion of revenues as new consumers participate in, and previously illicit consumers adopt Canada's framework for the sale of cannabis.
Through the COVID-19 crisis, Canada declared dispensaries as essential services, allowing sales to continue. However, the restrictions implemented in response to the COVID-19 pandemic may impact current retail store operations and growth initiatives across the country.

The medical cannabis market brings another strong growth opportunity along with higher margins. With the addition of Starseed, a medical-centric operator, WeedMD has expanded its multi-channeled distribution strategy to grow its share of this burgeoning market. Starseed's industry-first, exclusive partnership with LiUNA, the largest construction union in Canada, along with employers and union groups complements WeedMD's direct sales to medical patients. In addition, the Company maintains strategic relationships in the seniors' market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies where adult-use brands Color Cannabis® and Saturday Cannabis® are sold along with established patient agreements with 24 clinics.

WeedMD believes that as the nascent cannabis industry continues to grow and expand and new Cannabis 2.0 products launch, trusted brands with strong cultivation, production, and distribution networks will become market leaders by driving trust among adult consumers, patients, doctors, and communities.

2020 Key Highlights

- 15 new Stock Keeping Units ("SKU") introduced to the adult-use market, which in addition to the 35 SKUs now available for medical brand Starseed, brings the total SKUs in WeedMD's portfolio to over 50.
- Signed exclusive distribution partnerships with Laborers' International Union of North America ("LiUNA") locals, the largest construction union in Canada; the Insulators Local 95 Health & Welfare Trust Fund; the International Union of Painters and Allied Trades; and MyHSA benefits provider, which complements WeedMD's direct sales to medical patients.
- Launched an array of new adult-use Cannabis 2.0 products including pre-rolls, vape cartridges such as the award-winning Pedro's Sweet Sativa, and a terpene-rich series of cultivars, Black Sugar Rose to the Color Cannabis® brand. WeedMD also launched a new terpene-infused vape line for the Saturday brand.
- For medical use, WeedMD merged its online medical product marketplace and expanded its product offering including vaporization products, softgels, topical balms and dried flower including a new high 24.5% THC hybrid reserve 5g flower.
- Entered into commercial agreements with Fire & Flower to manufacture, package, and ship the retailer's Revity CBD™ product line.
- Exclusive licensing partnership with Mary's Medicinals to offer topical products in 1:1 and CBD compounds.
- New supply partnership with PAX Labs for strain-specific vape line.
- One of the first among peers to introduce nitrogen-flushed packaging and Boveda packs to preserve product freshness and terpene profiles.
- Extensive operational transformation program launched in the three-month period ended December 31, 2020 ("Q4 2020") to realign the business for success.
- Appointed key senior management to enhance bench strength.

Leading Cultivation Platform – Strathroy Facility

The Strathroy Facility is WeedMD's cannabis cultivation hub and currently operates 265,000 sq. ft. of licensed cultivation and processing space in the hybrid greenhouse with the opportunity to expand production by an additional 280,000 sq. ft.

Providing cost-effective and tailored grown input biomass for cannabis 2.0 products, there are currently 27 acres of licensed outdoor cultivation area on the property, which can be expanded to 100 acres on the same property. WeedMD's outdoor cultivation operation, licensed in May 2019, was one of Canada's first legal outdoor cannabis cultivation operations, and implements sustainable and environmentally friendly practices throughout.

On June 12, 2020, WeedMD commenced outdoor cultivation with over 16,000 clones planted, with the harvest completed in early November 2020.

Extraction and Processing Centre of Excellence – Aylmer Facility

WeedMD's Aylmer Facility is a state-of-the-art extraction, processing, product development, and fulfilment platform, which enables the Company to take advantage of the increasing adoption of extracts-based products by cannabis consumers. This established business unit focuses on the production of next-generation cannabis products, commonly referred to as Cannabis 2.0 products, and business-to-business ("B2B") sales.

The Company is currently equipped with two supercritical CO2 extractors capable of extracting up to 50,000kg ("kg") of high-cannabinoid biomass annually. In addition to providing an opportunity to create value accretive partnerships, a major portion of the biomass the Aylmer Facility produces is used for extraction at WeedMD's own processing facility as the Company increasingly commercializes new, innovative adult-use and medical-grade products to satisfy customer demand.

Bowmanville Facility

Through the acquisition of Starseed, WeedMD acquired 10,000 sq. ft. of licensed production area and 4,850 sq. ft. of office space at the Bowmanville Facility. In Q1 2021, WeedMD reallocated all medical packaging, labelling and distribution activities from the Bowmanville Facility to the Aylmer Facility, which also houses the Company's extraction hub. The Bowmanville Facility is currently being held for sale, which is a key example of the steps WeedMD is taking to maximize the utilization of its facilities, improve operational efficiencies and further align its cost structure while focusing on growth, following the successful integration of WeedMD and Starseed.

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 Health 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 Products
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 *(Authorized for sale under the Cannabis licence(s) issued by Health Canada)*	Cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis	Cannabis plants; cannabis plant seeds	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; 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 – 215,000 sq. ft. Outdoor processing facility – 50,000 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.

Our Brands

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 can be cross-referenced as verifiable strains in the TruTrace Technologies ("TruTrace") database ensuring the highest product integrity and quality assurance for our customers, driving trust and long-term customer loyalty for our brands.

Adult-use	**Adult-use**	**Medical Direct-to-Patient** (benefits coverage)	**Medical Direct-to-Patient** (traditional)

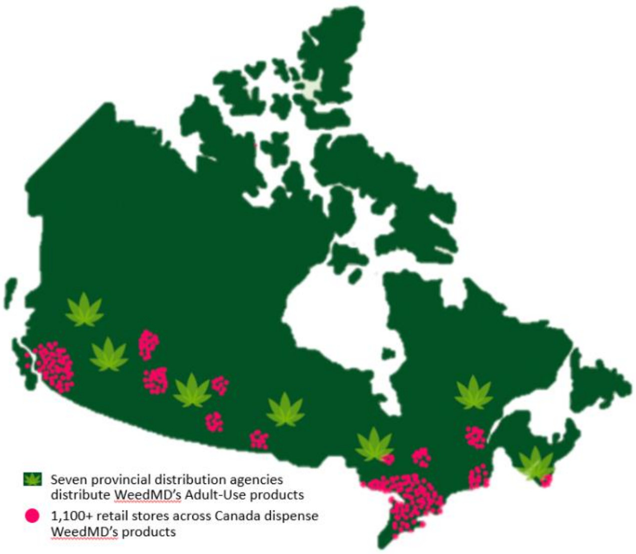
Adult-use

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. During the 12-month period ended December 31, 2020, unit sales for Color Cannabis® products remained strong within the major markets in which the brand has listings.

In December 2019, the Saturday Cannabis® brand was added to WeedMD's portfolio via the acquisition of Starseed. The brand's strategy has been centered around leveraging a pre-existing brand equity of relaxation, enjoyment, and freedom. The brand also leverages Starseed'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 Cannabis® 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.

In September, 2020, the Company launched the sale of its first adult-use vape products, which are filled with cannabis concentrates derived from biomass cultivated and processed at our facilities. The strain-specific product portfolio launched with the Ghost Train Haze (high-THC), Pedro's Sweet Sativa and Mango Haze (balanced) stains, with a high-CBD product to follow. The Company also launched a terpene-rich series of cultivars, Black Sugar Rose, within the Color Cannabis® brand. Coupled with WeedMD's lower-cost outdoor biomass as extraction input materials, the Company believes its operations will deliver improved margins over those of traditional cannabis products and provide meaningful growth for WeedMD as the market for Cannabis 2.0 products continues to develop and expand.

As at December 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.

Subsequent to year end, in January 2021, the Company announced it was expanding into the **Province of Quebec** under a partnership agreement with local producer Rose Life Science Inc.

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 has developed a unique platform that targets captive customer bases with paid benefits covering medical cannabis. Forming an industry-first, exclusive partnership with LiUNA, along with exclusive or preferred partnerships with other employers and union groups, Starseed provides medical cannabis to thousands of covered individuals while offering direct-reimbursement from benefit 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, allowing health care professionals and Starseed's client service teams to communicate with patients and recommend products with greater effectiveness and ease.

In addition, the Health Care Practitioners at Northstar Wellness, an entity owned by Starseed, provides patients with customized treatment plans which consider patients' current medical history, assesses for any potential medication interaction, and provides an overall fulsome ongoing review that supports ongoing medicinal cannabis therapy. The service is available to patients via a telemedicine system and in-person visits through a network of clinics.

In June 2020, the Company launched the sale of its first vape product, the Aurum vape cartridges, which are filled with cannabis concentrates derived from biomass cultivated and processed at its facilities.

Commercial arrangement with Fire & Flower to produce cannabis products

The Company has entered into a commercial arrangement with leading Canadian retailer, Fire & Flower Inc. ("Fire & Flower") (TSX: FAF, OTCQX: FFLWF), a leading purpose-built, independent adult-use cannabis retailer. Under the partnership, WeedMD will manufacture, package and ship the retailer's Revity CBD™ product line. Products manufactured through this partnership will be produced at WeedMD's state-of-the-art extraction hub, utilizing the Company's own input biomass.

Exclusive licensing agreement to produce Mary's Medicinals premium line of wellness products

The Company entered into an exclusive licensing, manufacturing and distribution agreement with premium, U.S.-based cannabis wellness house, MM Technology Holdings, LLC, owner of Mary's Brands, and the acclaimed product line, Mary's Medicinals ("Mary's Brands" or "Mary's"). As Mary's sole Canadian partner, WeedMD will manufacture a suite of Mary's Medicinals' products in-house utilizing WeedMD's input biomass at its Aylmer Facility extraction hub later in 2021. Widely recognized for its innovative portfolio of delivery methods, Mary's suite of cannabis products includes transdermal gels and patches and topicals. WeedMD will also market, sell and distribute Mary's Medicinals' products across Canada's provincial adult-use and direct-to-consumer medical channels as it looks to expand new cannabis offerings to address underserved wellness and medical market segments.

WeedMD partners with CannTx Life Sciences to enhance genetics bank of new cultivars and preserve its elite proprietary cannabis strains

The Company entered into a partnership with Guelph-based CannTx Life Sciences Inc. ("CannTx"), to add new cultivars to its genetics bank and expand the lifecycle of the Company's prized cannabis cultivars using cutting-edge tissue culture techniques via Steadystem Solutions ("Steadystem"). Tissue culture is an innovative and widely recognized practice in agriculture used for preserving plant integrity, crop health and genetic accuracy. Under the Steadystem program, nodal segment cultures are collected from WeedMD's mother plants and regenerated using an in-vitro platform to re-produce historical cannabinoid and terpene profiles.

BUSINESS TRANSFORMATION UPDATE

Commencing in Q4 2020, WeedMD has been undertaking extensive operational transformation with the goal of setting the Company on the path to long-term profitability. The guiding principles of this transformation include realigning the business with current market realities, refocusing on higher margin growth opportunities, and defining a clear track to profitability and positive cash flow. Complimenting these principles are these five core pillars: revenue growth, process and organizational optimization, driving efficiency, ensuring quality, and investing in our people.

From a revenue growth perspective, the Company will focus on growing WeedMD's footholds in the nascent adult-use recreational and medical cannabis markets by:

- Taking a disciplined approach to identifying and participating in select value-accretive acquisitions or partnerships; and
- Making prudent capital allocation investments to drive operational excellence by investing in:
  - Product innovation to deliver a variety of high-quality branded products.
  - Increasing capacity to support growth.
  - Expanding distribution channels.
  - Technological and automation improvements.
  - Maintaining patients to drive renewals in the medical business.

Related to process and organizational optimization, the transformation is on track with a number of initiatives already executed in early 2021, including placing the Bowmanville Facility for sale as well as organizational re-structuring to reduce costs.

To drive efficiency and productivity, the Company has identified automation opportunities in areas of production and manufacturing as well as back-office functions. To continuously deliver quality, initiatives have been kicked-off in cultivation, and production and manufacturing areas.

From a people perspective, WeedMD has made strategic senior management appointments and has created an enterprise-wide Project Management Office ("PMO"), both aimed at ensuring the ongoing transformation is a success. Overall, given the above transformation initiatives WeedMD is well-positioned to take advantage of the growing Canadian cannabis market and to deliver long-term shareholder value.

COVID-19 UPDATE

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. The ongoing outbreak of COVID-19 has caused significant disruptions to national and global markets, economies and consumer and patient behavior. Our businesses have been designated essential services in all the markets in which we operate. During this time, we have continued to conduct our operations to the fullest extent possible, while also responding to the outbreak with actions that include:

- Modifying employee work schedules and implementing strict sanitary measures to continue protecting the health and safety of our employees.
- Ensuring business continuity programs to meet the safety requirements and Health, Safety, Security and Environment (HSSE) standards during the period.
- Coordinating closely with suppliers and customers to maintain ample product for customers and patients to ensure that supply chain requirements were met.

During the second, third and fourth quarters of 2020, the Company has experienced a decline in sales relative to the first quarter of 2020 which, in part, can be attributed to the economic uncertainty caused by the COVID-19 pandemic. While there have been no material impacts to the Company's operations, COVID-19 has resulted in changes to the way the Company operates, for example, the number of employees allowed in a grow room. Consequently, the Company has taken steps to minimize any 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.

During the twelve months ended December 31, 2020, the Company participated in the Canada Emergency Wage Subsidy program relating to COVID-19 Pandemic. The subsidy was approved by the Government of Canada and payments were received in the fourth quarter of 2020.

Please refer to Note 27 of the financial statements regarding the amounts recognized as a receivable related to the subsidy.

COVID-19 related judgments and estimates

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict, with reasonable precision, the impact that COVID-19 could have on our business, financial position, and ongoing operating results. As such, the estimates and assumptions that underly the Company's financial statements could change in the near term due to COVID-19. The effects of any such changes could be material and could result in, among other things, impairment of long-lived assets. As a result, significant judgments and estimates have been made in the qualitative and quantitative impairments and the going-concern assessments at December 31, 2020.

KEY FINANCIAL HIGHLIGHTS

HISTORICAL QUARTERLY RESULTS

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

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Total Revenue	**6,961,763**	**7,739,923**	**7,181,501**	**13,600,588**
Revenue, Net	5,076,652	6,313,117	5,859,442	12,184,779
Gross profit (loss) before change in fair value	(22,532,631)	69,155	(898,050)	1,370,241
Gain/(loss) and comprehensive gain/(loss)	(45,545,046)	(26,165,379)	(8,895,017)	(9,001,692)
Basic and diluted (loss) per share from continuing operations	(0.22)	(0.12)	(0.04)	(0.04)
Basic and diluted (loss) per share attributable to the shareholders	(0.22)	(0.12)	(0.04)	(0.04)

	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Total Revenue	**3,641,842**	**7,178,110**	**8,568,599**	**3,692,808**
Revenue, Net	2,850,334	6,654,311	7,979,747	3,335,788
Gross profit (loss) before change in fair value	(2,005,829)	1,902,485	3,663,089	489,094
Gain/(loss) and comprehensive gain/(loss)	(7,210,726)	(13,402,388)	12,624,640	(2,403,887)
Basic and diluted (loss) per share from continuing operations	(0.06)	(0.12)	0.11	(0.02)
Basic and diluted (loss) per share attributable to the shareholders	(0.06)	(0.12)	0.11	(0.02)

For the three months ended	**December 31, 2020**	December 31, 2019	$ or Weight Difference	% Change
Revenue ($)	6,961,763	3,641,842	3,319,921	91%
Kilograms harvested	18,736	10,535	8,201	78%
Average yield per plant (grams)	254	227	27	12%
Weighted average cost per gram from clone to harvest of plants on hand	0.89	0.86	0.03	3%
Weighted average cost per gram of inventory on hand	0.46	0.79	(0.33)	-42%

For the Year ended	**December 31, 2020**	December 31, 2019	**$ or Weight Difference**	**% Change**
Revenue ($)	35,483,775	23,081,359	12,402,416	54%
Kilograms harvested	33,751	17,988	15,763	88%
Average yield per plant (grams)	145	150	(5)	-3%
Weighted average cost per gram from clone to harvest of plants on hand	0.89	0.86	0.03	3%
Weighted average cost per gram of inventory on hand	0.46	0.79	(0.33)	-42%

WeedMD harvested 18,736 kg of cannabis in Q4 2020, compared to 10,535 kg in the same period of 2019, increasing by 8,201 kg. Yield per plant averaged 254 g per plant in Q4 2020 compared to 227 g per plant in Q4 2019, with a weighted average cost per gram from clone to harvest of plants on hand of $0.89 in Q4 2020 compared to $0.86 in the comparable period in 2019.

Kilograms harvested for the twelve months ended December 31, 2020 increased by 15,763 kg or 88% increase to 33,751 kg as compared to the same period in 2019. This increase was largely driven by the acquisition of Starseed completed in Q4 2019, and the additional flowering rooms being licensed and becoming operational at the Strathroy Facility. Average yield per plant also decreased for the same period, decreasing from 150g to 145g. The weighted average cost per gram from clone to harvest was $0.89 in twelve months ended December 30, 2020, compared to $0.86 in the same period of 2019.

Summary of Q4 and Full Year Results and Results of Operations

	For the three months ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Net revenue	$ 5,076,652	$ 2,850,334	$ 2,226,318	78%
Cost of goods sold	27,609,283	4,856,163	22,753,120	469%
Gross profit (loss) before changes in fair value	(22,532,631)	(2,005,829)	(20,526,802)	1023%
Realized FV amounts included in inventory sold	9,709,401	2,227,801	7,481,600	336%
Unrealized gain on changes in fair value of biological	(875,923)	(4,423,654)	3,547,731	-80%
Gross profit (loss)	(31,366,109)	190,024	(31,556,133)	-16606%
Income (loss) and comprehensive income (loss)	(45,545,046)	(7,210,726)	(38,334,320)	532%
Adjusted EBITDA [1]	(31,655,384)	(7,466,526)	(24,188,858)	324%
Cash provided by (used in) operations	(7,169,871)	(6,426,963)	(742,908)	12%
Basic income (loss) per share	(0.22)	(0.06)		
Diluted income (loss) per share	$ (0.22)	$ (0.06)		

	For the years ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Net revenue	$ 29,433,990	$ 20,820,180	$ 8,613,810	41%
Cost of goods sold	51,425,275	16,771,341	34,653,934	207%
Gross profit (loss) before changes in fair value	(21,991,285)	4,048,839	(26,040,124)	-643%
Realized FV amounts included in inventory sold	18,863,571	9,742,965	9,120,606	94%
Unrealized gain on changes in fair value of biological	(16,649,277)	(20,566,094)	3,916,817	-19%
Gross profit (loss)	(24,205,579)	14,871,968	(39,077,547)	-263%
Income (loss) and comprehensive income (loss)	(89,607,134)	(10,392,361)	(79,214,773)	762%
Adjusted EBITDA [1]	(43,583,924)	(11,883,010)	(31,700,914)	267%
Cash provided by (used in) operations	(35,538,706)	(7,160,606)	(28,378,100)	396%
Basic income (loss) per share	(0.43)	(0.09)		
Diluted income (loss) per share	$ (0.43)	$ (0.09)		

[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) please refer to the "Adjusted EBITDA" section of this MD&A.

$	December 31,2020	December 31,2019	December 31,2018
Total assets	171,329,357	209,798,741	88,068,657
Total non-current liabilities	75,509,990	44,591,489	-
Total liabilities	97,239,327	73,739,556	10,976,340
Cash and cash equivalent	22,321,903	8,183,744	21,223,641
Working capital	45,060,143	30,618,609	29,838,984

Revenue

WeedMD earns revenue from the sale of dried cannabis, live cannabis plants, 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			
	December 31, 2020	December 31, 2019	$ Change	% Change
	$	**$**		
Direct to Patient				
Dried cannabis	857,787	503,737	354,050	70%
Cannabis plants and seeds	-	-	-	-
Cannabis extracts	1,486,068	228,184	1,257,884	551%
Others	231,892	7,731	224,161	2900%
	2,575,747	**739,652**	**1,836,095**	**248%**
Wholesale				
Dried cannabis	3,826,467	2,902,190	924,277	32%
Cannabis plants and seeds	-	-	-	-
Cannabis extracts	559,549	-	559,549	100%
Others	-	-	-	-
	4,386,016	**2,902,190**	**1,483,826**	**51%**
Revenue	**6,961,763**	**3,641,842**	**3,319,921**	**91%**
Excise taxes	(1,885,111)	(791,508)	(1,093,603)	138%
Net Revenue	**5,076,652**	**2,850,334**	**2,226,318**	**78%**

	For the years ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
	$	**$**		
Direct to Patient				
Dried cannabis	8,755,400	1,466,785	7,288,615	497%
Cannabis plants and seeds	-	25,415	(25,415)	-100%
Cannabis extracts	4,625,385	606,314	4,019,071	663%
Others	269,835	19,971	249,864	1251%
	13,650,620	**2,118,485**	**11,532,135**	**544%**
Wholesale				
Dried cannabis	20,933,030	20,175,549	757,481	4%
Cannabis plants and seeds	-	70,000	(70,000)	-100%
Cannabis extracts	900,125	709,145	190,980	27%
Others	-	8,180	(8,180)	-100%
	21,833,155	**20,962,874**	**870,281**	**4%**
Revenue	**35,483,775**	**23,081,359**	**12,402,416**	**54%**
Excise taxes	(6,049,785)	(2,261,179)	(3,788,606)	168%
Net Revenue	**29,433,990**	**20,820,180**	**8,613,810**	**41%**

WeedMD recorded net revenue, defined as gross revenue less excise taxes, of $5,076,652 and $29,433,990 for the three and twelve months ended December 31, 2020, respectively, representing an increase of 78% and an increase of 41% for the three and twelve months ended December 31, 2019, respectively. The increase in the twelve months ended December 31, 2020, compared to the same period in 2019, was mainly attributable to the full period contribution of results from the acquisition of Starseed in December 2019, growth in the adult-use market, and a significant sale of dried cannabis to a licence holder in the first quarter of 2020.

For the three and twelve months ended December 31, 2020, WeedMD recorded gross revenues from the Direct-to-Patient channel of $2,575,747 and $13,650,620, respectively, resulting in a year-over-year increase of 248% and 544%, respectively, as compared to the same periods ended December 31, 2019.

For the three and twelve months ended December 31, 2020, gross revenue from the Wholesale channel of $4,386,016 and $21,833,155, respectively, resulting in a year-over-year increase of 51% and 4%, respectively, as compared to the same periods ended December 31, 2019. The year-over-year decrease in Wholesale due to lower sales of bulk products to federal license holders was more than offset by revenue from Cannabis 2.0 products.

Grams sold by Category and total grams as follows:

	For the three months ended			
Grams sold	**December 31, 2020**	December 31, 2019	Change (grams)	% Change
Dried Cannabis				
Provincial	633,494	532,350	101,144	19%
License holders	1,224,387	-	1,224,387	100%
Direct-to-Patient	185,365	70,300	115,065	164%
Total grams sold	**2,043,246**	**602,650**	**1,440,596**	**239%**

	For the years ended			
Grams sold	**December 31, 2020**	December 31, 2019	Change (grams)	% Change
Dried Cannabis				
Provincial	2,949,942	1,480,311	1,469,631	99%
License holders	6,241,177	4,435,358	1,805,819	41%
Direct-to-Patient	975,215	172,820	802,395	464%
Total grams sold	**10,166,334**	**6,088,489**	**4,077,845**	**67%**

Total dried cannabis sold in Q4 2020 was 2,043,246g, compared to 602,650g sold in Q4 2019, representing an increase of 1,440,596g or 239% for the same period in 2019. Total dried cannabis sold for the twelve months ended December 31, 2020 was 10,166,334g compared to 6,088,489g for the same period in 2019, an increase of 4,077,845g or 67% year-over-year.

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			
	December 31, 2020	December 31, 2019	$ Change	% Change
Dried Cannabis				
Provincial	4.09	4.13	(0.04)	-1%
Licensed holders	0.18	-	0.18	100%
Direct-to-Patient	7.24	7.06	0.18	3%
	2.03	4.47	(2.44)	-55%

Average selling price (net of excise)	For the years ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Dried Cannabis				
Provincial	4.1	4.23	(0.13)	-3%
Licensed holders	0.88	2.72	(1.84)	-68%
Direct-to-Patient	7.38	7.5	(0.12)	-2%
	2.43	3.2	(0.77)	-24%

The average selling price per gram decreased by $2.44 or 55% for Q4 2020, as compared to the same period ended December 31, 2019. The average selling price per gram decreased by $0.77 or 24% in 2020 compared to 2019.

Gross profit (loss) before changes in fair value

Gross profit (loss) 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 Q4 2020 decreased by $20,526,802 or -1,023% compared to the same period in 2019 primarily due to inventory write-downs. Gross profit before changes in fair value for the twelve months ended December 31, 2020 decreased by $26,040,124 or -643% compared to the same period in 2019.

Gross profit (loss)

Gross profit (loss) 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 decreased by $31,556,133 or -16,606% during Q4 2020, compared to the same period in 2019, and by $39,077,547 or -263% during the twelve months ended December 31, 2020, as compared to the same period in 2019 primarily due to inventory write-downs.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $4,755,659 or 76% for Q4 2020 and increased by $9,449,396 or 52% for the twelve months of 2020, as compared to the same periods in 2019 respectively. The year-over-year increase was primarily driven by the costs incurred through insurance, the acquisition of Starseed, as well as costs incurred in order to drive overall company growth.

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

	For the three months ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Salaries and benefits	2,105,309	1,227,669	877,640	71%
Selling, marketing and promotion	856,017	1,487,090	(631,073)	-42%
Rent & occupancy	(36,766)	134,979	(171,745)	-127%
Office & Administrative	2,232,259	(1,120,359)	3,352,618	-299%
Professional fees	1,821,734	612,002	1,209,732	198%
Consulting fees	2,196,832	1,800,751	396,081	22%
Research and development	834,422	54,760	779,662	1424%
Travel & accomodations	34,140	210,668	(176,528)	-84%
Impairment of receivable	963,917	1,844,645	(880,728)	-48%
Total	**11,007,864**	**6,252,205**	**4,755,659**	**76%**

	For the years ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Salaries and benefits	12,494,636	5,107,193	7,387,443	145%
Selling, marketing and promotion	1,773,889	4,648,147	(2,874,258)	-62%
Rent & occupancy	240,835	771,911	(531,076)	-69%
Office & Administrative	6,027,928	2,125,865	3,902,063	184%
Professional fees	2,900,198	1,097,783	1,802,415	164%
Consulting fees	2,196,832	1,800,751	396,081	22%
Research and development	834,422	54,760	779,662	1424%
Travel & accomodations	209,767	741,973	(532,206)	-72%
Impairment of receivable	963,917	1,844,645	(880,728)	-48%
Total	**27,642,424**	**18,193,028**	**9,449,396**	**52%**

Salaries and benefits

Salaries and benefits increased by $877,640 and $7,387,443 or 71% and 145% to $2,105,309 and $12,494,636 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods in 2019. The main driver of the increases related to the costs of the acquisition of Starseed, and the growth in headcount in support the Company's planned growth in various departments such as human resources, finance, information technology, customer service and sales & marketing.

Selling, marketing, and promotion

Selling, marketing, and promotion decreased by $(631,073) and $(2,874,258) or -42% and -62% to $856,017 and $1,773,889 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods in 2019. Selling, marketing and promotion reduced as a result of a decrease in in-person and in-store marketing initiatives, as well as less marketing-driven travel costs.

Rent and occupancy

Rent and occupancy decreased by $(171,745) and $(531,076) or -127% and -69% to $(36,766) and $240,835 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019. This is mainly due to the termination of one lease agreement in 2020.

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. During Q4 2020, office and administrative expenses increased by $3,352,618 or 299% to $2,232,259 compared to the same period in 2019. For the twelve months ended December 31, 2020, the balance increased by $3,902,063 or 184% to $6,027,928, compared to the same period in 2019. The increase is mainly due to costs assumed from the acquisition of Starseed during 2020.

Professional fees

Professional fees increased by $1,209,732 and $1,802,415, or 198% and 164%, to $1,821,734 and $2,900,198 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019. This is mainly due to an increase in legal and audit fees.

Consulting fees

Consulting fees increased by $396,081 and $396,081, or 22% and 22%, to $2,196,832 and $ 2,196,832 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019.

Research and Development

Research and Development increased by $779,662 or 1424% to $834,422 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019.

Travel and accommodations

Expenses for travel and accommodations decreased by $(176,528) and $(532,206), or -84% and -72%, to $34,140 and $209,767 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019. The decreases in these expenses are mainly due to reduced business travelling costs incurred during the COVID-19 pandemic.

Impairment of receivables

Impairment of receivables decreased by $(880,728) or -48% to $963,917 during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019.

Of this total receivable amount, $Nil (December 31, 2019: $473,740) has been reflected in the Consolidated Statement of Financial Position as a long-term receivable and $Nil as a current receivable. During 2019, the Company negotiated a prepayment plan and discounted the expected monthly cashflows by a rate of 24% to arrive at the receivable balance of $963,917 as December 31, 2019. The Company did not make any collections during 2020 and a provision of $963,917 was made as at December 31, 2020.

Share Based Compensation

Share based compensation includes non-cash expenses associated with options and deferred share units ("DSUs") granted to directors, officers, employees, and consultants for services rendered. Share based compensation increased by $340,148 or 92% to $709,958 during Q4 2020, as compared to the same period in 2019, mainly as a result of the Company granting options to management, employees, directors and consultants of the Company, and granting an aggregate of 3,468,265 DSUs to certain officers and directors of the Company. Share based compensation decreased by $2,124,779 or 45% to $2,637,979 during the twelve months ended December 31, 2020, as compared to the same period in 2019, mainly due to unvested options being cancelled (420,834), forfeited (3,742,512) or expired (511,515) during the period, and a fewer number of options being issued compared to the same period in the prior year.

Depreciation and Amortization

Total depreciation and amortization expense for three and twelve months of 2020 was $740,289 and $2,153,358 compared to -$505,786 and $279,560 for the same periods in 2019, respectively, representing an increase of $1,246,075 and $1,873,798 or 246% and 670%, respectively. The increase in annual depreciation and amortization is a result of the addition of the property, plant and equipment from the acquisition of Starseed. Further in 2019, $52M worth of Property, Plant & Equipment was not subject to depreciation because they were part of construction work in progress at that time.

Impairment

The Company carried out an assessment of whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Goodwill was initially recognized on acquisition of Starseed Holdings Inc. in December, 2019 and is monitored at company-wide CGU level. The Company noted indicators of impairment as at September 30, 2020, including market capitalization and ongoing business transformation plans and, as a result, carried out an assessment of the impairment of its goodwill and other assets. In testing for impairment, goodwill and other assets acquired in a business combination were allocated to the cash-generating units to which they related. The Company has determined that there is only one CGU at the Company level. As a result of impairment testing performed at September 30, 2020, the Company determined an impairment loss of $34,800,000, representing the difference of the amount determined through Value in Use and the carrying value of the assets. No additional impairment or reversal of impairment were identified as at December 31, 2020.

The impairment loss has been allocated as follows:

	For the three months ended		**For the year ended**	
	December 31, 2020	December 31, 2019	**December 31, 2020**	**December 31, 2019**
Impairment of property, plant and equipment	-	-	(6,200,000)	-
Impairment of goodwill	-	-	(16,123,601)	-
Impairment of intangible	-	-	(12,376,399)	-
Impairment of right-of-use assets	-	-	(100,000)	-
	-	-	(34,800,000)	-

Net Adjusted Operating Loss

	For the three months ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
(Loss) income before other income (expenses)	(46,396,302)	(6,824,400)	(39,571,902)	580%
Realized fair value amounts included in inventory sold	9,709,401	2,227,801	7,481,600	336%
Unrealized gain on changes in fair value of biological assets	(875,923)	(4,423,654)	3,547,731	-80%
Net adjusted operating loss	**(37,562,824)**	**(9,020,253)**	**(28,542,571)**	**316%**

	For the years ended			
	December 31, 2020	December 31, 2019	**$ Change**	% Change
(Loss) income before other income (expenses)	(62,548,797)	(9,613,200)	(52,935,597)	551%
Realized fair value amounts included in inventory sold	18,863,571	9,742,965	9,120,606	94%
Unrealized gain on changes in fair value of biological assets	(16,649,277)	(20,566,094)	3,916,817	-19%
Net adjusted operating loss	**(60,334,503)**	**(20,436,329)**	**(39,898,174)**	**195%**

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 measure of the period's results without the impact of non-recurring events. Net adjusted operating loss for the three and twelve months ended December 31, 2020 decreased by $(28,542,571) and $(39,898,174) or 316% and 195% from the same periods of 2019, respectively.

EBITDA and Adjusted EBITDA

	For the three months ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Income (loss) and comprehensive income (loss)	(45,545,046)	(7,210,726)	(38,334,320)	532%
Add (Deduct)				
Amortization	740,289	(505,786)	1,246,075	-246%
Finance costs	2,572,082	898,195	1,673,887	186%
Excise taxes	1,885,111	791,508	1,093,603	138%
EBITDA	(40,347,564)	(6,026,809)	(34,320,755)	569%
Realized fair value amounts included in inventory sol	9,709,401	2,227,801	7,481,600	336%
Unrealized gain on changes in fair value of biological	(875,923)	(4,423,654)	3,547,731	-80%
Share based compensation	709,958	369,810	340,148	92%
Unrealized losses (gains on investments)	977	309,534	(308,557)	-100%
Realized loss on investment	(870)	-	(870)	-100%
Interest income	(2,723)	(57,358)	54,635	-95%
Impairment of property, plant and equipment	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of intangible	-	-	-	-
Impairment of right-of-use assets	-	-	-	-
Impairment on assets held for sale	453,951		453,951	100%
Provision of receivables	-	-	-	-
Government grants	(4,215,868)	(10,000)	(4,205,868)	42059%
Depreciation in cost of goods sold	-	-	-	-
Other income	2,913,277	144,150	2,769,127	1921%
Adjusted EBITDA [1]	**(31,655,384)**	**(7,466,526)**	**(24,188,858)**	324%

	For the years ended			
	December 31, 2020	December 31, 2019	$ Change	% Change
Income (loss) and comprehensive income (loss)	(89,607,134)	(10,392,361)	(79,214,773)	762%
Add (Deduct)				
Amortization	2,153,358	279,560	1,873,798	670%
Finance costs	5,909,457	1,249,822	4,659,635	373%
Excise taxes	6,049,785	2,261,179	3,788,606	168%
EBITDA	(75,494,534)	(6,601,800)	(68,892,734)	1044%
Realized fair value amounts included in inventory sold	18,863,571	9,742,965	9,120,606	94%
Unrealized gain on changes in fair value of biological assets	(16,649,277)	(20,566,094)	3,916,817	-19%
Share based compensation	2,637,979	4,762,758	(2,124,779)	-45%
Unrealized losses (gains on investments)	33,579	867,167	(833,588)	-96%
Realized loss on investment	32,709	-	32,709	100%
Interest income	(65,760)	(222,156)	156,396	-70%
Impairment of property, plant and equipment	6,200,000	-	6,200,000	100%
Impairment of goodwill	16,123,601	-	16,123,601	100%
Impairment of intangible	12,376,399	-	12,376,399	100%
Impairment of right-of-use assets	100,000	-	100,000	100%
Impairment on assets held for sale	453,951		453,951	100%
Provision of receivables		-	-	0%
Government grants	(4,215,868)	(10,000)	(4,205,868)	42059%
Depreciation in cost of goods sold	-	-	-	0%
Other income	(3,980,274)	144,150	(4,124,424)	-2861%
Adjusted EBITDA [1]	**(43,583,924)**	**(11,883,010)**	**(31,700,914)**	267%

[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 is an important measure of the Company's day-to-day operations, by excluding interest, tax, depreciation and amortization, share-based compensation, fair value changes and other non-cash items, and non-cash items, and non-recurring items.

EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") decreased $34,320,755 and $68,892,734 or -569% and -1,044% to $(40,347,564) and $(75,494,534) during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019. This is due to decline in gross profit; increased selling, general and administrative expense; and impairment of $34,800,000.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, refer to "Non-GAAP Financial Measures ".

Adjusted EBITDA decreased by $24,188,858 and $31,700,914, or -324% and -267% to $(31,655,384) and $(43,583,924) during the three and twelve months ended December 31, 2020, respectively, compared to the same periods of 2019. This is due to decline in gross profit; increased selling, general and administrative expense; and impairment of $34,800,000.

WeedMD expects the extensive cost optimization measures planned to be undertaken in 2021 to drive improvement over the next twelve months.

Liquidity and Capital Resources

	For the three months ended		For the years ended	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Cash provided by (used in):				
Operating activities	(7,169,871)	(6,426,963)	(35,538,706)	(7,160,606)
Investing activities	1,107,587	1,523,371	(1,400,912)	(48,959,822)
Financing activities	(2,640,354)	(615,889)	51,261,307	46,093,181
Increase (decrease) in cash	**(8,702,638)**	(5,519,481)	**14,321,689**	(10,027,247)

Cash flow from operating activities

Cash (used in) operating activities was $(7,169,871) and $(35,538,706) during the three and twelve months of 2020, compared to $(6,426,963) and $(7,160,606) during the same periods of 2019, respectively. Higher spending was a result of increased operating activity during the periods compared to the comparative periods in 2019.

Cash flow from investing activities

Cash provided by (used in) investing activities was $1,107,587 and $(1,400,912) during the three and twelve months of 2020, compared to $1,523,371 and $(48,959,822) during the same periods of 2019, respectfully. Majority of capital asset investments occurred in 2019.

Cash flow from financing activities

Cash provided by (used in) from financing activities was $(2,640,354) and $51,261,307 during the three and twelve months ended December 31, 2020, respectively. The cash flow from financing activities was primarily related to the $25,000,000 share subscription by LiUNA Pension of Central and Eastern Canada ("LPF") in the first quarter of 2020 and a $30,000,000 credit facility provided by LPF during the quarter ending September 30, 2020.

For the twelve months ended December 31, 2020, the Company had cash and cash equivalents of $22,321,903 (December 31, 2019: $8,183,744). Total current assets for the same period were $66,789,480 (December 31, 2019: $59,766,676), including inventory and biological assets of $32,621,186 (December 31, 2019: $38,952,777), with current liabilities of $21,729,337 (December 31, 2019: $29,148,067) resulting in working capital of $45,060,143 (December 31, 2019: $30,618,609).

The Company's ratio at December 31, 2020 was 3.07 compared to 2.05 at December 31, 2019. In the same twelve month period ended December 31 2020, the Company's current assets increased as a result of the 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

		December 31, 2020	December 31, 2019	$ Change	% Change
Dried Cannabis	$	18,758,723	18,032,160	726,563	4%
Harvested work in progress		5,345,980	910,087	4,435,893	487%
Extract					
Resin		98,488	8,321,073	(8,222,585)	-99%
Crude oil		693,835	569,672	124,163	22%
Finished oil		4,098,705	2,524,711	1,573,994	62%
Non-cannabis inventory		1,669,758	929,198	740,560	80%
	$	**30,665,489**	31,286,901	(621,412)	-2%

Total inventory decreased by $621,412 or 2% from December 31, 2019 to December 31, 2020.

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.

For the year ended December 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 were rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company to 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.

On September 23, 2020, the Company had entered into a credit facility with LiUNA Pension Fund of Central and Eastern Canada ("LPF"). Under the terms, LPF provided the Company $30,000,000, maturing in August 2022 and bearing a 15% interest rate per annum which shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan.

Off-balance sheet arrangements

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

Contractual obligations

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

Contractual obligations	less than 1 year	2 years	3 years	4 years	5 years	Total
Lease obligations	1,723,338	625,620	271,867	149,019	674,000	3,443,844
Other obligations	12,689	11,975	9,833	9,038	2,479	46,014
Total	**1,736,027**	**637,595**	**281,700**	**158,057**	**676,479**	**3,489,858**

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, non-interest bearing, unsecured and have no fixed repayment terms, other than the credit facility within LiUNA Pension Fund of Central and Eastern Canada ("LPF")

On September 23, 2020, the Company had entered into a credit facility with the LPF – a major shareholder of the Company. Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan. The interest charged on loan was $1,125,000.

The balances outstanding are as follows:

As at December 31,	2020	2019
Accounts payable and accrued liabilities	**$** 146,900	$ 172,163

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

	For the three months ended		For the years ended	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
Share based Compensation	**$ 106,132**	$ 657,390	**$ 835,899**	$ 1,636,960
Salaries	**$ 332,674**	$ 150,834	**$ 1,157,640**	$ 533,740
Bonuses	**$ -**	$ (357,959)	**$ 110,000**	$ -
Other Compensation	**$ -**	$ -	**$ 906,891**	$ -
Fees	**$ 90,000**	$ 933,740	**$ 425,000**	$ 933,740
	$ 528,806	$ 1,384,005	**$ 3,435,430**	$ 3,104,440

During the year ended December 31, 2020, 3,468,265 stock options (year ended December 31, 2019: 1,008,625) were issued with fair value of $1,282,891 (year ended December 31, 2019: $1,038,884).

Deferred share units

On July 20, 2020, WeedMD authorized the grant of an aggregate of 2,688,314 deferred share units ("DSUs") to certain directors and officers of the Company. Of the DSUs granted, 1,441,647 will vest immediately, 623,334 will vest on December 8, 2020, and 623,333 will vest on June 8, 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $1,048,442.

On August 5, 2020, the Company authorized the grant of an aggregate of 356,434 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $128,316.

On October 22, 2020, the Company authorized the grant of an aggregate of 158,026 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $41,087. Total share-based compensation for the year ended December 31, 2020 is $41,087.

On December 31, 2020, the Company authorized the grant of an aggregate of 265,491 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the fourth quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $65,045. Total share-based compensation for the year ended December 31, 2020 is $65,045.

Disclosure of outstanding share data

As at May 29, 2021, the following were outstanding:

Outstanding Shares	**As at May 29, 2021**
Common shares	246,624,214
Warrants	26,165,625
Stock and broker compensation options	12,741,131
	286,929,504

RISK FACTORS

There are various risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results, including without limitation:

- Limited operating history
- Change of cannabis laws, regulations and guidelines
- Reliance on licences and authorizations
- Lack of long-term client commitments
- Covid-19 pandemic
- Supply chain
- Client risks
- History of net losses
- Difficulty to forecast
- Inability to sustain pricing and inventory models
- Environmental regulation and risks
- Insurance risks
- Unfavourable publicity or consumer perception
- Dependence on supply of cannabis and other key inputs
- Maintenance of effective quality control systems
- Retention and acquisition of skilled personnel
- Risks related to intellectual property
- Marketing constraints
- Shelf life of inventory
- Scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions
- Access to capital
- Estimates or judgments relating to critical accounting policies
- Tax risks
- Market for the common shares
- Investment in the cannabis sector
- No history of payment of cash dividends

Risks related to COVID-19

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 impacting our operations, supply chains, interactions with consumers and counterparties, ability to meet consumer demand, and financial condition. 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.

WeedMD has cultivation and processing facilities in Strathroy and Aylmer in Ontario, which produce cannabis plants, dried cannabis, oil, topicals, extracts and edibles. The facilities have been deemed essential, remaining open and producing according to schedule. If our manufacturing operations at Strathroy and Aylmer are deemed non-essential, and are required to close for a significant period of time, WeedMD's operational and financial performance would be significantly impacted.

Given the ongoing and dynamic nature and significance of COVID-19 and its impact globally, we are unable to cover all potential risks to our business. Any of the negative impacts of COVID-19, including those described above, alone or in combination with others, may have a material adverse effect on our business, results of operations or financial condition.

In addition, any of these negative impacts, alone or in combination with others, could exacerbate many of the other risk factors outlined in "Note 2".

Financial instruments and other instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. Additional information on Financial instruments and other instruments can be found in "Note 24" of the Financial Statements.

a. Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of loans and borrowings approximate carrying values as cash flows are discounted using a market rate of interest. Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable.

The levels are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

b. Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to price risk with respect to marketable securities and bonds. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk.

c. Credit risk

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

The Company is exposed to credit risk on its trade and other receivables which has a balance of $2,252,820 (December 31, 2019: $3,346,425) and on the promissory note receivable which is owing from Pioneer Cannabis, an investee of the Company, and has a balance of $Nil (December 31, 2019: $963,917) of which $Nil is current (December 31, 2019: $490,177)

As at December 31, 2020, 61% (December 31, 2019: 45%) of the Company's trade and other receivables balance, excluding the amounts owing from Pioneer Cannabis, is owing from 2 customers (December 31, 2019: 2 customers), each representing more than 10% of trade and other receivables, excluding amounts owing from Pioneer Cannabis.

Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables are from government bodies and participants in the cannabis industry and are received within a short period of time. As at December 31, 2020 the Company has $963,917 of impaired receivables (December 31, 2019: $1,951,999). Management expects credit risk to be minimal.

d. Foreign exchange risk

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

e. Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due.

The Company has total current liabilities of $21,729,337 (December 31, 2019: $29,148,067) with cash and cash equivalents on hand of $22,321,903 (December 31, 2019: $8,183,744). In the opinion of management, the liquidity risk exposure to the Company is moderate. The Company will manage the risk exposure through increased future sales, accessing the Revolving Credit Facility, and if necessary raise additional capital through debt and/or equity.

The contractual maturities of all liabilities and lease obligations by year is as follows:

	2021	2022	2023	2024	2025
Lease liabilities	$ 1,723,338	$ 625,620	$ 271,867	$ 149,019	$ 674,000
Loans and borrowings	10,979,401	67,791,669	-	-	-
Convertible debt	1,070,162	13,567,261	-	-	-
Other commitments	12,689	11,975	9,833	9,038	2,479
Accounts payable and accrued liabilities	15,558,726	-	-	-	-
Total	**$ 29,344,316**	**$ 81,996,525**	**$ 281,700**	**$ 158,057**	**$ 676,479**

f. Cash flow risk

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

SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to May 29, 2021, the date the audited consolidated financial statements were issued, and conclude the following significant events to report.

a) On January 7, 2021, the Company exited the Bowmanville facility and reallocated all medical packaging, labelling and distribution activities from its Bowmanville, Ontario site to its Aylmer, Ontario facility.

b) On January 19, 2021, the Company entered into a letter of intent (LOI) with a third-party buyer to transfer the shares (Proposed Transaction) of Starseed Medicinal Inc. (Starseed) a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company. An executed share purchase agreement was signed on March 15, 2021 to sell 100% of the outstanding shares of Starseed on a cash-free and debt-free basis for a purchase price of $2,500,000. Starseed is a holder of a license to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Facility"). The right-of-use assets and related license, as well as all property, plant and equipment of Starseed will be included in the sale of Starseed. Certain key contracts and customer relationships have been excluded from the share purchase agreement, and will be transferred, along with the operations and ongoing business of Starseed, to another wholly owned subsidiary. The Company vacated from and ceased all meaningful operations at the Facility during the first quarter of 2021.

c) On February 10, 2021, one consultant exercised an option for 425,000 shares.

d) On March 2, 2021, the Company announced a $17.5 million bought deal financing as the Company entered into an amended and restated underwriting agreement dated March 2, 2021, with Eight Capital and Canaccord Genuity Corp., as joint bookrunners and co-lead underwriters, and INFOR Financial Inc. (together with the Co-Lead Underwriters, to amend the terms of the Offering to issue to the Underwriters 31,250,000 units of the Company at a price per unit of $0.48 for gross proceeds of $15,000,000. Each unit will be comprised of one common share of the Company and one-half of one Common Share purchase warrant (each whole warrant, "Warrant"). Each Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of $0.60, for a period of 24 months following the closing of the Offering.

e) On March 12, 2021, the Company closed its previously announced bought deal short-form prospectus offering of 35,937,500 units at a price of $0.48 per unit for aggregate gross proceeds of $17,250,000, including full exercise of the over-allotment. The Units were offered and sold by way of a short-form prospectus filed with the securities commissions in each of the provinces of Canada, other than Quebec and Newfoundland.

f) On March 30, 2021 TSX Venture Exchange (the "TSXV") has accepted for listing 19,046,875 common share purchase warrants of the Company (the "Warrants") issued in connection with the Company's previously announced bought deal short-form prospectus offering of units. The TSXV has advised that these Warrants will be listed for trading on the TSXV under the symbol "WMD.WT.A" effective at market open on March 30, 2021.Each Warrant entitles the holder thereof to purchase one common share of the Company (a "Common Share") at an exercise price of $0.60 per Common Share until March 12, 2023.

   If after March 12, 2022 the daily volume weighted average trading price of the Common Shares on the TSXV is equal to or greater than $0.96 per Common Share for the preceding 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the Warrants to a date that is 30 trading days following the date of the Company issues a press release disclosing such acceleration.

g) On April 14, 2021 the company announced the appointment of Beth Carreon, a seasoned financial executive with broad experience in corporate finance, mergers and acquisitions (M&A), banking and consumer-packaged goods (CPG), as Chief Financial Officer, effective May 3rd, 2021.

h) On May 17, 2021 the Company announced that it has entered into an exclusive licensing and supply agreement with Ontario craft cannabis producer CannTx Life Sciences Inc. to release celebrated cultivars “Rockstar Tuna” and “Royal Goddess” (re-labelled “Crown”) for its Starseed Medicinal patients. The ‘Limited Edition’ release of these high-THC whole flower products will be available starting in late May 2021.