
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

WEEDMD INC.

Three Months Ended March 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

(Unaudited)

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MANAGEMENT'S RESPONSIBILITY STATEMENT

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

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

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

/s/ Bruce Dawson-Scully

Bruce Dawson-Scully, Director
May 30, 2018

WeedMD Inc.

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

For the three months ended March 31,	Note	2018	2017
Sales	18	\$ 1,142,341	\$ -
Cost of sales:			
Cost of goods sold		198,882	-
Production costs		652,039	541,893
Gross profit (loss) before changes in fair value		291,420	(541,893)
Fair value changes in biological assets included in inventory sold	5	1,107,289	-
Unrealized gain on changes in fair value of biological assets	5	(1,455,682)	(684,990)
Gross profit		639,813	143,097
General and administrative		1,555,219	523,138
Finance costs		647,115	818,162
Amortization	6	15,640	5,338
		2,217,974	1,346,638
Other income:			
Unrealized gain on investment	4	(125,000)	-
Interest revenue		(131,664)	(11,067)
		(256,664)	(11,067)
Loss before income tax recovery		(1,321,497)	(1,192,474)
Loss and comprehensive loss		(1,321,497)	(1,192,474)
Basic and diluted loss per share	12	(0.01)	(0.03)

See accompanying notes to the interim condensed consolidated financial statements

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2018 and 2017

	Note	Number of Shares	Share Capital	Warrants	Conversion Feature	Contributed Surplus	Deficit	Total
Balance, January 1, 2017		36,782,573	\$ 9,031,463	\$ -	\$ 181,217	\$ 1,456,743	\$ (7,586,596)	\$ 3,082,827
Net loss		-	-	-	-	-	(1,192,474)	(1,192,474)
Balance, March 31, 2017 (Unaudited)		36,782,573	\$ 9,031,463	\$ -	\$ 181,217	\$ 1,456,743	\$ (8,779,070)	\$ 1,890,353
Balance, January 1, 2018		78,250,222	\$ 34,029,538	\$ 3,794,703	\$ 2,607,546	\$ 1,092,579	\$ (16,391,818)	\$ 25,132,548
Conversion of debentures	7(c)	3,333,333	3,800,311	-	(695,345)	-	-	3,104,966
Shares issued upon Prospectus Offering	8	16,046,511	26,533,999	7,966,000	-	-	-	34,499,999
Share issue cost	8	-	(2,077,972)	(617,409)	-	439,000	-	(2,256,381)
Shares pending to be issued at December 31, 2017	9(a)	124,975	-	-	-	-	-	-
Shares issued on broker warrants exercise	8,9(f)	54,000	89,899	(25,099)	-	-	-	64,800
Shares issued on warrants exercise	9(g)	2,222,127	2,111,908	(340,761)	-	-	-	1,771,147
Shares issued on option exercise	10	342,416	340,977	-	-	(94,141)	-	246,836
Share based compensation	10	-	-	-	-	37,620	-	37,620
Net loss		-	-	-	-	-	(1,321,497)	(1,321,497)
Balance, March 31, 2018 (Unaudited)		100,373,584	\$ 64,828,660	\$ 10,777,434	\$ 1,912,201	\$ 1,475,058	\$ (17,713,315)	\$ 61,280,038

See accompanying notes to the interim condensed consolidated financial statements

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the three months ended March 31,	Note	2018	2017
Cash flows provided by (used in):			
Operating			
Loss		\$ (1,321,497)	\$ (1,192,474)
Adjustments for:			
Amortization		132,293	80,106
Stock based compensation		37,620	-
Accretion and interest expense		647,115	817,712
Unrealized gain on investment	4	(125,000)	-
Fair value changes in biological assets included in inventory sold	5	(1,455,682)	-
Unrealized gain on changes in fair value of biological assets and inventory	5	1,107,289	(684,990)
		\$ (977,862)	\$ (979,646)
Change in non-cash working capital	13	(619,706)	(429,985)
		(1,597,568)	(1,409,631)
Investing			
Loans receivable collections		-	39,200
Investments		(750,000)	-
Acquisition of property, plant and equipment	6	(8,144,826)	(72,123)
		(8,894,826)	(32,923)
Financing			
Proceeds from issuance of share capital, net of issue costs	8,9	32,243,128	-
Proceeds from exercise of warrants	9	1,835,947	-
Proceeds from exercise of stock options	10	243,700	-
Interest paid	7	(59,556)	-
		34,263,219	-
Increase in cash		23,770,825	(1,442,554)
Foreign exchange		2,474	-
Cash, beginning of period		24,692,678	6,754,976
Cash, end of period		\$ 48,465,977	\$ 5,312,422
Cash and cash equivalents		\$ 48,460,059	\$ 5,245,118
Cash held in trust		5,918	67,304
		\$ 48,465,977	\$ 5,312,422

See accompanying notes to the interim condensed consolidated statements

WeedMD Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (Unaudited)

1. Nature of Operations

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

WeedMD Rx is licensed to produce and sell cannabis under the federal Access to Cannabis for Medical Purposes Regulations ("ACMPR"). On June 16, 2017 the Company's license was extended to April 24, 2020.

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" or the "RTO"). 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."

These condensed interim consolidated statements were approved by the board of directors for issue on May 29, 2018.

2. Basis of preparation

a) Statement of Compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The condensed interim financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual financial statements of WeedMD for the years ended December 31, 2017 and 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Basis of preparation:

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

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

c) Accounting estimates and judgements

The preparation of these 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.

WeedMD Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (Unaudited)

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, valuation and recoverability of deferred taxes, and impairment of its financial and non-financial assets. The Company is subject to a number of risks and uncertainties associated with the going concern assumption and exercises judgment to assess the uncertainties relating to the determination of the Company's ability to continue as a going concern.

The most significant estimates and assumptions include those related to the inputs used in accounting for share-based payment transactions and in the valuation of warrants, including volatility, the fair value of financial instruments, valuation of net assets acquired in qualifying transaction (note 5), and the valuation of biological assets and inventory. In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value. Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

3. Significant Accounting Policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2017, except for:

a) Financial Instruments

Investments

Investments without significant influence are classified and measured as fair value through profit and loss ("FVTPL").

The Company classifies its fair value measurements by reference to the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Investments are classified as level 1 in the fair value hierarchy.

b) 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

WeedMD Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (Unaudited)

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 is 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 previous 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 18.

c) 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.

4. Investments

On March 14, 2018, a subsidiary of the Company purchased 1,666,667 common shares of Scorpion Resources Inc., to be renamed Blockstrain Technology Corp. ("Blockstrain"), for a total subscription price of \$500,000. Blockstrain delivers a secure and immutable blockchain platform to establish global certainty for cannabis strains and their ownership.

On March 16, 2018, a subsidiary of the Company purchased 2,500,000 common shares of Snipp Interactive Inc. for a total subscription price of \$250,000. For the three months ended March 31, 2018, the Company recorded the investment at FVTPL resulting in an unrealized gain of \$125,000 being recorded on the Interim Condensed Consolidated Statements of Loss and Other Comprehensive Loss.

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5. Biological Assets and Inventory

The Company's biological assets consists of cannabis plants.

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

Carrying amount, January 1, 2017	\$ 598,755
Changes in fair value less costs to sell due to biological transformation	2,634,024
Biological assets sold	(242,003)
Transferred to inventory upon harvest	(2,630,687)
Carrying amount, December 31, 2017	\$ 360,089
Changes in fair value less costs to sell due to biological transformation	1,455,682
Biological assets sold	(703,595)
Transferred to inventory upon harvest	(407,534)
Carrying amount, March 31, 2018	\$ 704,642

All of the plants are to be harvested as agricultural produce or to be sold as live plants. All of the plants that are to be harvested are between one and thirteen weeks from harvest. Plants to be sold as live plants are zero to two weeks away from sale. The carrying value of plants to be harvested is \$529,793 and the carrying value of plants to be sold as live plants is \$174,849.

Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels. The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Wastage of plants based on their various stages;
- Yield by plant;
- Percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant;
- Selling price; and
- Percentage of costs incurred for each stage of plant growth was estimated.

The Company estimates harvest yields for the plants at various stages of growth. As of March 31, 2018, it is expected that the Company's biological assets that are to be harvested will yield approximately 311,193 grams (December 31, 2017: 228,883 grams), with selling prices ranging from \$3.24 to \$6.47 per gram (December 31, 2017: \$2.71 to \$5.41 per gram). Selling prices used in the valuation are based on the average selling price of all dried cannabis sales and can vary based on the different strains produced. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive input to the fair value methodology and notes that a 10% decrease or increase in selling prices would result in a \$107,703 decrease or increase (December 31, 2017: \$56,458 decrease or increase) in the fair value of the biological assets.

Inventory is comprised of \$2,593,223 of harvested finished goods, \$47,729 of harvested work-in-progress and \$124,851 of cannabis extracts. Inventory is valued at the lower of cost and net realizable value.

6. Property, plant and Equipment

Total amortization for the three months ended March 31, 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.

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

As at March 31, 2018, building improvements additions 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.

During the three months ending March 31, 2018, the Company incurred other capital expenditures totalling \$379,640.

7. Convertible Debentures

	Debentures	Warrants (Contributed surplus)	Conversion Feature	Total
Balance, December 31, 2016	\$ 6,390,951	\$ 325,744	\$ 181,217	\$ 6,897,912
Accrued Interest on Debentures	266,520	-	-	266,520
Accretion of debentures	942,529	-	-	942,529
Conversion of debentures	(7,600,000)	(325,744)	(181,217)	(8,106,961)
<i>Balance of 2016 issuance</i>	-	-	-	-
Issuance – November 2, 2017	12,147,121	-	2,852,879	15,000,000
Less: Issuance Costs:				
Cash commissions and transaction costs	(903,426)	-	(212,179)	(1,115,605)
Fair value of compensation warrants	(141,163)	-	(33,154)	(174,317)
Total, net of issuance costs	11,102,532	-	2,607,546	13,710,078
Accretion of debentures	249,139	-	-	249,139
Accrued Interest	196,650	-	-	196,650
Cash payment of interest	(196,650)	-	-	(196,650)
Balance, December 31, 2017	\$ 11,351,671	\$ -	\$ 2,607,546	\$ 13,959,217
Conversion into shares	(3,104,966)	-	(695,345)	(3,800,311)
Accretion of debentures	372,266	-	-	372,266
Balance, March 31, 2018	\$ 8,618,971	\$ -	\$ 1,912,201	\$ 10,531,172

a) 2016 convertible debentures:

On November 8, 2016, WeedMD closed a \$7,600,000 convertible debenture unit financing (the "Convertible Debenture Financing") with a syndicate of agents (the "Agents"). Pursuant to the Convertible Debenture Financing, WeedMD issued 7,600 units (the "Units"), with each Unit comprised of one debenture (a "Debenture") with a principal amount of \$1,000 and a term of six months, and 1,333 Share purchase warrants (the "Warrants").

On April 13, 2017, upon completion of the RTO, the Debentures were fully converted into 10,133,328 Shares of the Company (Note 8) and no interest was required to be paid.

b) 2017 convertible debentures:

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

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(together with Eight Capital, the “Underwriters”).

The Unsecured 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 Unsecured Convertible Debentures have a maturity date of November 1, 2019 (the “Maturity Date”).

The Unsecured Convertible Debentures will be convertible at the option of the holder into Shares of the Company at any time prior to the close of business on 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 Unsecured Convertible Debentures.

The Company also issued to the Underwriters 375,000 compensation warrants with a fair value of \$174,317. Each compensation warrant is exercisable into one Share at an exercise price of \$1.20 per share for a period of up to 24 months following the close of the Offering (Note 9(c)). The Company paid \$1,115,605 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability and conversion feature components in proportion to their initial carrying amounts.

c) Conversion of debentures:

On March 8, 2018, \$4,000,000, of the Unsecured Convertible Debentures with a carrying value of \$3,800,311, were converted into 3,333,333 Shares at a conversion price of \$1.20 per Share.

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8. Share Capital

Authorized

Unlimited common shares

	Note	Number of Shares	Amount
Balance as at January 1, 2017		36,728,573	9,031,463
Conversion of debentures	7(a)	10,133,328	7,781,217
Balance before completion of Qualifying Transaction		46,861,901	16,812,680
Shares split 1:1.25		11,715,477	-
Fair value of shares issued in reverse take over		1,939,682	1,163,809
Shares issued for services	8(f),(g)	1,241,667	1,048,750
Shares issued for convertible debenture warrants exercise	9(a)	11,674,735	9,792,984
Shares issued for 2016 debenture financing warrants exercise	9(a)	858,129	881,656
Shares issued for broker compensation option exercise	9,10	616,000	700,700
Shares issued for stock option exercise	10	323,400	314,738
Shares issued as down payment to the Greenhouse Expansion	8(h)	3,000,000	3,299,341
Shares issued for branding agreement	8(i)	19,231	16,665
		78,250,222	34,031,323
Less: share issue costs			(1,785)
Balance as at December 31, 2017		78,250,222	\$34,029,538
Conversion of debentures	7(c)	3,333,333	3,800,311
Shares issued upon prospectus offering	8(j)	16,046,511	26,533,999
Shares issued for stock options exercise	10	342,416	340,977
Shares issued for warrant exercise pending at December 31, 2017	9(a)	124,975	-
Shares issued for warrants exercised	9(g)	2,222,127	2,111,908
Shares issued for compensation warrants exercise	9(f)	54,000	89,899
Share issuance cost			(2,077,972)
Balance as at March 31, 2018		100,373,584	\$64,828,660

- a) On May 30, 2016, the Company closed a private placement equity financing of \$441,749 and issued 588,999 Shares at a price of \$0.75 per share.
- b) On September 19, 2016, the Company closed a private placement equity financing of \$803,242 and issued 1,070,990 Shares at a price of \$0.75 per share.
- c) On September 20, 2016, the Company issued 200,000 Shares as debt settlement of consultant fees to third parties at a fair value of \$0.75 per share.
- d) On September 20, 2016, the Company issued 89,001 Shares in exchange for services at a fair value of \$0.75 per share.
- e) On October 9, 2016, the Company engaged a consulting firm for their services to be rendered over a period of 12 months. The debt arising from this transaction of \$240,000 was settled through issuance of 320,000 Shares at a fair value of \$0.75 per share.
- f) On April 26, 2017, the Company issued 116,667 Shares at a price of \$0.60 per share for services.
- g) On June 14, 2017, the Company issued 1,125,000 compensation shares at a price of \$0.87 per share to its key management personnel.
- h) On November 21, 2017, the Company entered into a purchase option agreement for the potential

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Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 and 2017 (Unaudited)

purchase of the land and buildings leased for the Greenhouse Expansion. The Company issued 3,000,000 Shares from treasury as down payment 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. A discount for trading restrictions has been applied for the Shares, 19% applied to Shares released within twelve months, 34% for twenty-four months, and 44% for three years. The resulting fair value of the Shares is \$3,299,341. The Company also issued 3,000,000 share purchase warrants, with each warrant exercisable into a common share of the Company at an exercise price \$1.56 per share for a period of five years (Note 10). The fair value of the property to be received is not reliably measured, thus the transaction has been measured by reference to the fair value of equity instruments granted.

- i) 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 VdP brand in Canada. There are two successive automatic renewal terms of one year each.

In connection with the agreement, the Company has agreed to issue to Tokyo Smoke 76,923 Shares of the Company to be distributed in tranches, of which the first tranche of 19,231 Shares of the Company have been issued with the remaining tranches to be distributed throughout the following fiscal year.

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 dried cannabis (or the equivalent amount of cannabis oil), and the other 25,000 warrants will vest and be exercisable upon the cumulative shipments of 300 kilograms of dried cannabis (or the equivalent amount of cannabis oil). For the three months ended March 31, 2017, no warrants have vested.

- j) On January 11, 2018, the Company closed a short form prospectus offering with a total of 16,046,511 units of the Company ("Units") sold at a price of \$2.15 per Unit (the "Issue Price") for aggregate gross proceeds of \$34,500,000 (the "Prospectus Offering").

Each Unit consists of one Share of the Company and one-half of one Share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase one Share at an exercise price of \$2.90, until January 11, 2020, with early acceleration in the event the weighted average price of the Shares on the TSXV is equal to or greater than \$4.20 for any 20 consecutive trading days.

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 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 (see Note 10(h)).

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9. Warrants

	Note	Number of Warrants	Exercise Price
Balance as at January 1, 2017		10,130,800	
Increase in warrants due to share split 1:1.25		2,532,700	
Warrants issued (April 13, 2017)	9(b)	2,224,986	\$ 0.80
Broker warrants issued (November 2, 2017)	7,9(c)	375,000	\$ 1.20
Greenhouse Expansion warrants issued	8(g),9(d)	3,000,000	\$ 1.56
Debenture warrants exercised	9(a),8	(11,674,735)	
Broker compensation warrants issued	10(f)	308,000	\$ 0.80
Broker compensation warrants exercised		(308,000)	
April 13, 2017 warrants exercised	8	(858,129)	
Warrant exercise, shares to be issued	9(a)	(124,975)	
Balance as at December 31, 2017		5,605,647	
Warrants issued (January 11, 2018) on prospectus offering	9(e)	8,023,256	\$ 2.90
Broker compensation warrants exercised	9(f)	(54,000)	
Warrants exercised	9(g)	(2,222,127)	
Balance as at March 31, 2018		11,352,776	

- a) In connection with the Convertible Debenture Financing (Note 7(a)) closed on November 8, 2016, WeedMD issued 10,130,800 warrants, exercisable into 10,130,800 Shares of WeedMD at an exercise price of \$1.00 per share for a period of two years from the completion of a Liquidity Event by WeedMD. The fair value of the warrants was initially estimated as \$383,128 with reference to the Black-Scholes pricing model.

On December 5, 2017, the Company announced an acceleration of expiry date of the above warrants to January 8, 2018 as the 20 consecutive trading days volume weighted average price was greater than \$1.20 as of December 4, 2017.

In the year ended December 31, 2017, 9,339,791 warrants were exercised at the exercise ratio of 1:1.25 defined by the Qualifying Transaction, representing 11,674,735 Shares issued and proceeds of \$9,439,771, which includes \$99,980 for 124,975 Shares to be issued.

- b) On April 13, 2017, in conjunction with the Transaction the Company issued 2,224,986 warrants to various parties that participated in the Debentures financing (Note 7), with exercise price of \$0.80 and for a period of two years following the date of issuance. The fair value of the warrants was estimated as \$506,000 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 85.18%; (iii) risk-free rate of 0.74%; (iv) unit price of \$0.60; (v) forfeiture rate of 0; (vi) expected life of two years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.
- c) On November 2, 2017, in connection with the Company's Unsecured Convertible Debenture, the Company issued to the Underwriters 375,000 compensation warrants (Note 7(b)). Each compensation warrant is exercisable into one Share at the Conversion Price \$1.20 for a period of 24 months following the closing of the Offering. The fair value of the warrants was estimated as \$174,317 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 82.21%; (iii) risk-free rate of 1.43%; (iv) unit price of \$1.20; (v) forfeiture rate of 0; (vi) expected life of two years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

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- d) Pursuant to a purchase option agreement the Company entered into on November 22, 2017 to acquire the land and buildings leased for the Greenhouse Expansion, the Company issued 3,000,000 share purchase warrants, with each warrant exercisable into a Share of the Company at an exercise price \$1.56 per share for a period of five years. The fair value of the property to be received is not reliably measured, thus the transaction has been measured by reference to the fair value of equity instruments granted. The fair value of the warrants was estimated to be \$2,593,009 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 95.11%; (iii) risk-free rate of 1.03%; (iv) unit price of \$1.56; (v) forfeiture rate of 0; (vi) expected life of five years.
- e) On January 11, 2018, in connection with the private placement (Note 8(j)) the Company issued a total of 8,023,26 warrants. Each warrant is exercisable into one Share at 2.90 until January 11, 2020. The fair value of the warrants was estimated to be \$7,966,000 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.4%; (iii) risk-free rate of 1.84%; (iv) unit price of \$2.90; (v) forfeiture rate of 0; (vi) expected life of two years.
- f) On January 11, 2018 54,000 broker warrants were exercised with an exercise price of \$1.20.
- g) For the three months ended March 31, 2018, 2,222,127 shares issued upon exercise of warrants for proceeds of \$1,177,701, with a weighted average exercise price of \$0.79.

Warrant pricing models require the input of subjective assumptions and changes in the input assumptions can materially affect their fair value estimated. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on the zero-coupon government of Canada bonds with a remaining term equal to the expected life of the warrants. The Company used the same assumptions to calculate options (Note 10).

10. Contributed Surplus

Balance as at January 1, 2017	385,000
Stock options issued and vested	1,021,110
Fair value stock options RTO	56,711
Compensation options exercised	(269,500)
Stock options exercised	(100,742)
Balance as at December 31, 2017	1,092,579
Stock options issued and vested	37,620
Stock options exercised	(94,141)
Compensation options issued	439,000
Balance as at March 31, 2018	\$1,475,058

Stock options

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

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At March 31, 2018, 6,959,816 Shares have been reserved for stock options as follows:

Exercise Price	Number of options outstanding	Number of options exercisable	Weighted average remaining life (years)	Weighted average exercise price
\$ 0.60	38,426	38,426	1.62	
\$ 0.60	3,000,000	2,357,681	3.04	
\$ 0.80	137,500	90,625	1.04	
\$ 0.70	200,000	200,000	4.50	
\$ 0.86	100,000	46,000	4.50	
\$ 2.15	470,890	470,890	1.78	
\$ 2.36	3,013,000	3,013,000	3.78	
	6,959,816	6,216,622	3.40	\$ 1.43

As at March 31, 2018, the Company's outstanding stock options consists the following:

	Note	Number of options	Fair Value	Exercise price
Balance as at January 1, 2017		352,000	\$ 385,000	\$0.60
Increase in broker compensation options due to share split 1:1.25		88,000		
Stock options granted in reverse takeover		184,832	56,711	
Stock options granted	10(a)	3,000,000	789,413	\$0.60
Stock options granted	10(b)	312,500	60,393	\$0.80
Stock options granted	10(c)	400,000	125,671	\$0.70
Stock options granted	10(d)	112,500	45,633	\$0.86
Stock options exercised	10(e)	(323,400)	(100,742)	
Broker compensation options exercised	10(f)	(308,000)	(269,500)	
Balance as at December 31, 2017		3,818,432	\$ 1,092,579	\$0.66
Stock options granted	10(g)	3,013,000		\$2.36
Stock options exercised	10(i)	(342,416)	(94,141)	
Stock options cancelled		(90)		
Broker compensation options granted	10(h)	470,890	439,000	
Stock based compensation		-	37,620	
Balance as at March 31, 2018		6,959,816	\$ 1,475,058	\$1.43

- a) On April 14, 2017, the Company granted 3,000,000 stock options to management, employees, directors and consultants of the Company. 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 75.45%; (iii) risk-free interest rate of 0.94%; (iv) share price of \$0.60; forfeiture rate of nil; and (v) expected life of 48 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. 2,143,574 of the options granted vested immediately, and 856,426 of the options vest over 24 months. The Company has recorded the fair value of the options granted as \$1,004,478, of which \$789,413 has been recorded as share-based

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compensation expense in the year ended December 31, 2017.

- b) On April 14, 2017, the Company granted 312,500 options to consultants. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 85.17%; (iii) risk-free interest rate of 0.74%; (iv) share price of \$0.60; forfeiture rate of nil; and (v) expected life of 24 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. 250,000 of the options granted vested immediately, and 62,500 of the options vest over 24 months. The total fair value of the options is \$71,050, of which \$60,393 has been recorded as share-based compensation expense in the year ended December 31, 2017.
- c) On September 17, 2017, the Company granted 400,000 options to consultants. The fair value of services received is not reliably measured, and thus the value of the services has been measured by reference to the fair value of equity issued. 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 78.86%; (iii) risk-free interest rate of 1.73%; (iv) share price of \$0.72; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. Pursuant to the stock options agreement, 50% of the 400,000 options will be vested when the stock price reaches a weighted average price of \$1.20; the remaining 50% of the 400,000 options will be vested when 50% of the total outstanding warrants of the company, or 7,443,243 warrants get exercised. The vesting condition was realized during the year and the Company has recorded the fair value of \$125,671 of the options granted as share-based compensation expense in the year ended December 31, 2017.
- d) On July 23, 2017, the Company granted 112,500 options to consultants. 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 78.10%; (iii) risk-free interest rate of 1.73%; (iv) share price of \$0.91; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The Options vest immediately and the Company has recorded the fair value \$45,633 of the options granted as share-based compensation expense in the year ended December 31, 2017.
- e) In the year ended December 31, 2017, a total of 323,400 stock options were exercised for 323,400 Shares (Note 8) with \$213,996 proceeds received. Shares issued upon exercise of options had a fair value of \$2.32 at the time of exercise.
- f) In the year ended December 31, 2017, 308,000 broker compensation options were exercised into one Share and one Share purchase warrant exercisable into 308,000 Shares. The share purchase warrants were issued and exercised on the same date. Total proceeds for the exercise of the broker compensation options and resulting warrants was \$431,200.
- g) On January 12, 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, and vest quarterly over 24 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 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.
- h) On January 11, 2018, in connection with the private placement (Note 8(j)) the Company 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 fair value of the warrants was estimated to be

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\$439,000 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.4%; (iii) risk-free rate of 1.84%; (iv) unit price of \$2.15; (v) forfeiture rate of 0; (vi) expected life of two years.

- i) During the three months ended March 31, 2018, 342,416 stock options were exercised with a weighted average exercise price of \$0.71, for net proceeds of \$243,700.

11. Income taxes

The Company has no income tax provision due to incurring an operating loss. The company has \$13,426,057 of non-capital tax loss for which the benefit has not been recognized.

12. Earnings per Share

For the three months period ended March 31,	March 31, 2018	March 31, 2017
Basic and Diluted Earnings per Share:		
Loss attributable to holders of Shares	\$ (1,321,497)	\$ (1,192,474)
Weighted average number of Shares outstanding	96,099,846 (0.01)	36,728,573 (0.03)

13. Change in Non-cash Operating Working Capital

	March 31, 2018	March 31, 2017
Trade and other receivables	\$ (62,831)	\$ 6,016
Prepaid expenses and deposits	(131,910)	(30,417)
Inventory	(71,670)	(219,726)
Commodity tax receivable	(927,371)	(122,529)
Unearned revenue	414,480	-
Accounts payable and accrued liabilities	159,596	(63,329)
	\$ (619,706)	\$ (429,985)

14. Related Party Transactions

The Company's key management includes CEO, CFO, 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

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.

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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:

	March 31, 2018	March 31, 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).

15. Commitments

The lease commitment schedule is outlined in the below table:

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

16. Financial Instruments

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

a) Fair value

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

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: credit risk, foreign exchange risk, liquidity risk and cash flow risk.

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c) Credit risk

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

The Company is not exposed to any significant credit risk other than loans receivable. Cash is generally invested in cash accounts held in Canadian chartered banks and in short-term GICs. The Company's loans receivable were collected in full during the year. 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.

d) Liquidity risk

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$686,434 which are due within one year. 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. In the opinion of management, the liquidity risk exposure to the Company is low.

e) 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. In the opinion of management, the cash flow risk exposure to the Company is low.

17. Capital Management

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

- (i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and
- (ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general and administrative expenditures.

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

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

The Company does not have any externally imposed capital requirements.

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18. Sales

	March 31, 2018	March 31, 2017
Dried Cannabis	\$ 351,008	\$ -
Cannabis Plants and Seeds	699,260	-
Extracts	31,139	-
Other	60,934	-
	<u>\$ 1,142,341</u>	<u>\$ -</u>

19. Subsequent Events

f) Conversion of debentures

On April 17, 2018, and May 14, 2018, Unsecured Convertible Debentures in the aggregate principal amount of \$1,000,000 and \$7,200,000, were converted into 833,333 Shares and 6,000,000 Shares, respectively, at a conversion price of \$1.20 per Share.

g) Merger

On April 19, 2018, the Company entered into a definitive agreement (the "Arrangement Agreement") to merge with Hiku Brands Company Ltd. ("Hiku") (the "Transaction"). The Transaction combines two highly-complementary businesses and creates a vertically integrated company. Upon completion of the Transaction, existing Hiku and WeedMD Rx shareholders will own approximately 51.75% and 48.25% of the combined company, respectively, on a fully-diluted basis. Upon closing of the Transaction, it is anticipated that the common shares of the pro forma resulting entity will be listed on the TSXV pending the required approvals.

The Transaction will be carried out by way of a plan of arrangement of WeedMD under the *Business Corporations Act* (Ontario), pursuant to which the Company shareholders will receive 1.4185 Hiku common shares (each, a "Hiku Share") in exchange (the "Exchange Ratio") for each Share of the Company (a "WeedMD Share"). 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. Assuming no convertible securities of WeedMD are exercised prior to the completion of the Transaction, Hiku will issue approximately 142 million Hiku Shares in exchange for the WeedMD Shares to be exchanged pursuant to the Transaction.

The Transaction will be subject to the approval of at least 66 2/3% of the votes by holders of WeedMD Shares at the annual and special meeting of WeedMD shareholders to be held on June 22, 2018.

h) Stock options granted

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