Canopy Growth Corporation
(Formerly Tweed Marijuana Inc.)

Management's Discussion and Analysis of the Financial Condition and Results of Operations
For the three and six months ended September 30, 2015 and September 30, 2014

At the Annual and Special Shareholders' Meeting held on September 17, 2015, the shareholders approved changing the name of the Company from Tweed Marijuana Inc. to Canopy Growth Corporation. The Company also changed its trading symbol on the TSX Venture Exchange ("TSXV") from "TWD" to "CGC".

This Management's Discussion and Analysis of the Financial Condition and Results of Operations ("MD&A") for the three and six months ended September 30, 2015 is prepared as of November 25, 2015 and derived from and should be read in conjunction with Canopy Growth Corporation's ("the Company" or "Canopy Growth") unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") for the three and six months ended September 30, 2015, including the accompanying notes. This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding the dynamics of the Company's business and key factors underlying its financial results. Amounts presented for comparative purposes are for the three and six months ended September 30, 2014.

These Interim Financial Statements have been prepared in Canadian dollars, unless otherwise stated, in accordance with International Financial Reporting Standards ("IFRS").

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. The Interim Financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The accompanying Interim Financial Statements include the accounts of the Company and its wholly owned subsidiaries Tweed Inc. ("Tweed") located in Smiths Falls, Ontario, Tweed Farms Inc. ("Tweed Farms") located in Niagara-on-the-Lake, Ontario, and Bedrocan Cannabis Corp. ("Bedrocan") located in Toronto, Ontario. All inter-company balances and transactions have been eliminated on consolidation.

The Company's continuous disclosure documents are found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates" "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve. Statements such as those about expected number of users of medical marijuana, the Company's ability to become a leader in the field of medical marijuana and the Company's ability to achieve profitability without further equity financing or at all are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the financial report and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

COMPANY BACKGROUND

New Regulatory Framework

In 2001, Canada became the second country in the world to recognize the medicinal benefits of marijuana and to implement a government-run program for medical marijuana access. The regulations preceding the current framework permitted approved persons access to either grow the product, designate another person to grow on their behalf, or seek supply from Health Canada. The methods implemented in 2001 provided access for less than 500 persons, but the number of approved persons grew to more than 30,000 by 2013. Due in part to this overwhelming growth, Health Canada issued the *Marihuana for Medical Purposes Regulations* (MMPR) in June 2013 to replace government supply and home-grown medical marijuana with highly secure and regulated commercial operations capable of producing consistent, quality medicine. A court injunction in early 2013 preserves the production and access methods of the prior legislation for those granted access prior to the injunction.

Under the MMPR, patients are no longer required to obtain a license to possess marijuana from Health Canada; they only need to obtain a medical approval from their healthcare practitioner and provide a medical document to the licensed producer from which they wish to purchase marijuana. Since the requirements under the new regulations are both simpler and involve fewer obstacles to access than the previous regulatory regime, it is anticipated that the growth in the number of approved patients will accelerate. Moreover, the new system allows for competition among licensed producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

In anticipation of these regulatory changes, the founders of Tweed recognized the business opportunity to be a substantial licensed commercial operator in this marketplace and took appropriate steps to be an early entrant into the marketplace.

Market Development

Early Stages: Canopy Growth was one of the very first companies to obtain a license to produce medical marijuana in Canada through its subsidiary, Tweed. On November 18, 2013, Health Canada granted Tweed a license giving it the right to acquire, produce and destroy marijuana. This license was then amended on January 27, 2014, giving Tweed the expanded status as a commercial supplier of medical marijuana, permitting the sale and transport of marijuana. This early-mover advantage, as well as Tweed's ability to successfully garner national and international media coverage in the sector's earliest stages, has allowed Tweed to establish a position as a recognized producer in Canada.

Present Producer Status and Supply: There are 26 licensed producers listed on Health Canada's website of which only 19 are fully authorized to cultivate and sell. Of the 26 licensed producers, the Company possesses 4 licenses including the recently acquired Bedrocan. Brand recognition, customer acquisition, a sound strategy for engaging the medical community, and an ability to offer a consistent supply of product appear to be driving factors within the marketplace.

Consolidation in Sector: Canopy Growth took the first steps in consolidating the sector through its acquisition of a major greenhouse operation, now named Tweed Farms, in the Niagara-on-the-Lake region. This acquisition made Canopy Growth the first geographically diversified, multi-license, publicly traded producer in Canada, and allows for a mix of indoor and greenhouse production. Canopy Growth has received approval to cultivate 11,500 plants through 2015. The entire greenhouse facility of 350,000 square feet is being prepared and securitized for full-scale operation, pending Health Canada approval. A separate processing facility to enhance the capabilities of Tweed Farms will be in place by end of calendar 2015 with construction complete and ready for inspection by Health Canada. In addition, on June 24, 2015, the Company announced that it would acquire Bedrocan under a plan of arrangement that subsequently closed on August 28, 2015. Further details are provided elsewhere in this MD&A.

New Products: On July 8, 2015, Health Canada announced that licensed producers such as Tweed, Tweed Farms, and Bedrocan will be eligible to produce and sell cannabis oils pending the necessary inspections and approvals from Health Canada. Until then, the MMPR only allowed for the sale of dried cannabis flower. With the addition of cannabis oils to the regulatory framework, the Company will be able to significantly increase its product offering to provide a more diverse variety for practitioners and patients. Canopy Growth's existing facilities are capable of housing new extraction infrastructure, and the Company has already received a Section 56 exemption under the Controlled Drugs and Substances Act on August 19, 2015 to conduct research on extractions. As such, upgrades are well underway to ensure availability once the necessary approvals to sell cannabis oils are finalized.

Public Markets: Canopy Growth was the first licensed producer in Canada to be listed on the TSX Venture exchange (then as Tweed Marijuana Inc.), setting the stage for several competitors to follow suit. The listing of several licensed producers in the public markets will allow for better access to data and thereby facilitate comparisons of each company's financials and operations.

OVERVIEW

Canopy Growth is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. The Company's common shares are listed on the TSXV, under the trading symbol “CGC”. Through its wholly owned subsidiaries, Tweed, Tweed Farms, and Bedrocan, acquired on August 28, 2015 **(see Bedrocan)**, the Company is in the business of producing and selling medical marijuana in Canada. Bedrocan is included in the Interim Financial Statements for the period from August 28, 2015 to the end of the second quarter on September 30, 2015.

Tweed is a Licensed Producer of medical marijuana under the Marihuana for Medical Purposes Regulations (MMPR). Tweed’s Commercial License for Smiths Falls was renewed on November 20, 2015 and will be up for renewal on January 19, 2017. Tweed’s Commercial License currently allows Tweed to produce and sell up to 3,500 kg of medical marijuana per year, reflecting Tweed’s present built-out production capacity.

Tweed Farms is licensed for the cultivation of medical marijuana at its 350,000 square foot facility in Niagara-on-the-Lake, Ontario. Tweed Farm’s Cultivation License has a current term ending December 31, 2015 and will allow Tweed Farms to cultivate up to 11,500 cannabis plants at its greenhouse facility. All marijuana cultivated by Tweed Farms pursuant to its Cultivation License is transferred from the Tweed Farms facility to the Smith Falls facility for final processing and sale by Tweed pursuant to its Commercial License. Tweed Farms will apply to Health Canada for a full license to cultivate and sell after the build-out of its processing and storage facility is completed in the last quarter of calendar 2015.

Bedrocan, which became a wholly-owned subsidiary on August 28, 2015, is a Licensed Producer of medical marijuana approved to produce and sell its Canadian-grown, genetically identical strains of medicinal cannabis, with a licensed capacity to sell up to 2,000 kilograms per year, but with a production capacity equating to 4,000 kilograms per year. Bedrocan has been growing six proprietary genetic strains of standardized cannabis at its new production facility since February 2015. Bedrocan’s domestic production facility is fully-licensed, and includes 34 vegetative and growing rooms, three dispensing rooms, the building’s two-floor, Level 9 security vault, and the ability to dispose of cannabis refuse via composting. Bedrocan’s Commercial License to sell domestic medical marijuana has a renewal date of February 17, 2016 and its Commercial License to sell imported medical marijuana has a current term of renewal on December 2, 2015.

At the end of each term of their respective Licenses, each of Tweed, Tweed Farms, and Bedrocan must submit an application for renewal to Health Canada containing information prescribed by the MMPR.

The Company is focused on producing a large growing platform to provide consistent supply of a diverse product offering, while providing patients and healthcare practitioners with the highest level of support.

On May 5, 2014, Tweed made its first shipment of products to customers. Tweed sells at prices ranging from $6 to $12 per gram, depending on the strain. Typically, growth time and strain yield and market comparatives determine a strain price. Very particular strains may be priced higher, but this would be the exception. Tweed does not offer volume discounts to end users, but has developed an income-tested Compassionate Pricing Promise whereby eligible low-income patients may obtain a 20% discount off regular prices.

Bedrocan began selling its products in the Canadian market in February 2014. Bedrocan currently sells all six strains of its medical marijuana products at $7.50 per gram. The philosophy of Bedrocan is that price should not be reflective of the THC content of the product. Bedrocan’s products are consistent in quality and are priced the same as a pharmaceutical grade product. Bedrocan does not offer volume price discounts, but will reduce prices from time to time as a way of providing pricing relief for lower-income patients. Typically, such price reductions range in amounts up to 20% for the first 30 grams every 30 days per patient.

Clients of Tweed and Bedrocan order medical marijuana primarily through the respective Tweed or Bedrocan online stores with telephone orders as a secondary source. Medical marijuana is and will continue to be delivered to clients by way of secure courier or other method of delivery permitted by the MMPR.

At September 30, 2015, there were 120 full-time employees in the Company as compared to 75 full-time employees at the end of Fiscal 2015 and 53 full-time employees as at September 30, 2014.

<u>Tweed</u>

Tweed has concentrated on steadily building-out capacity to meet market demand. In order to service new clients, Tweed has so far completed 12 of an eventual 30 climate controlled indoor growing rooms and the related vegetation, nutrient delivery and production infrastructure as is required to support the ultimate 30 room configuration. Additionally, an in-house laboratory and R&D area exist in the facility as well. Tweed's existing facilities are also capable of housing new extraction infrastructure, and Tweed has already received approval from Health Canada under a Section 56 exemption under the Controlled Drugs and Substances Act to conduct research on extractions, as recently permitted by Health Canada and is awaiting further inspection to receive Health Canada's approval to sell cannabis oil extracts **(See Recent Events)**. As such, upgrades are well underway to facilitate the ability to sell cannabis oil extracts once the necessary approvals are finalized. The floor plate for this is 168,000 square feet of licensed state of the art facility in Smiths Falls.

Putting the grow rooms into production means the beginning of the grow cycle, which can take eight to twelve weeks depending on the strain of marijuana being grown. At the end of the grow cycle, the Company undertakes harvesting, trimming, drying, curing and testing (some of which can be done in-house once approved) to meet Health Canada requirements. This can add up to four weeks to the process before product is available for sale.

Since last year, the Company has provided a variety of support to patients and doctors in order to improve knowledge with respect to marijuana for medical purposes and ultimately advance the sector. In December 2014, the Company announced support to the Canadian AIDS Society ("CAS") in the form of an unrestricted grant to CAS for the development of a patient-focused series that explains the science of cannabis as a therapy, the rules and regulations surrounding access and different ways to consume cannabis for safer use and better health. In addition, Canopy Growth has research partnerships in place with researchers from the University of Ottawa and Ryerson University, and has provided funding for education to the Chronic Pain Association of Canada.

Tweed has been the sole licensed producer supporter of the Primary Care Updates across Canada reaching thousands of doctors, and supports countless efforts by local educators to improve the understanding of marijuana for medical purposes through a team of detailers visiting doctors throughout Ontario. Tweed has also partnered with Canabo Medical Corporation to conduct scientific and medical research through its network of healthcare practitioners at its medical clinics. This research data will be used to generate data to clarify the role of cannabis in various chronic conditions, including the management of chronic pain.

Tweed was also, to the Company's knowledge, the first Licensed Producer to have an accredited M1 continuing medical education program to assist doctors, and in partnership with Bedrocan, one other Licensed Producer and the Collège des médecins du Québec, proudly contributed startup funding for the creation of a registry for medical cannabis patients in the Province of Quebec. The first of its kind, the anticipated 10-year Registry will gather information on the demographic profiles of patients who use medical cannabis, the medical purpose for which they use it, and at what dosage, while tracking the effectiveness and safety of cannabis used in the management of symptoms associated with particular health conditions.

Canopy Growth has additionally entered into strategic IP partnerships including the installation of a state-of-the-art aeroponic system developed by Texas-based Indoor Harvest Corp. The system is the basis of a Cannabis Production Pilot Agreement between the two companies, whereby the companies will jointly own any resulting intellectual property, with Tweed obtaining exclusive licensing rights within Canada and all jurisdictions excluding the United States.

On September 30, 2015, the Company announced that Tweed entered into an exclusive partnership with DNA Genetics ("DNA"),one of the most widely recognized and acclaimed global brands in cannabis breeding and genetics. Over the past decade, genetics bred by DNA have won more than 125 awards around the world giving DNA a leading reputation for breeding and growing truly best-in-class strains. The exclusive Canadian partnership will see Tweed leverage DNA's expertise to enhance the Company's product offering, and to launch its own breeding program to bring new, exclusive DNA-bred strains to Tweed customers. The partnership will see DNA provide ongoing consulting services to Tweed, while assisting in phenotyping and grow method developments. The combined Tweed-DNA breeding program will provide Tweed's Canadian patients with the ability to acquire exclusive true, certified DNA strains grown to DNA standards.

Tweed Farms

Tweed Farms was acquired by the Company on June 18, 2014 when it was in the process of obtaining its license to cultivate under Health Canada's MMPR. The license to cultivate was later granted on August 8th, 2014. Acquiring Tweed Farms made Canopy Growth the first geographically diverse, multi-licensed supplier of medical marijuana in Canada.

Tweed Farms in Niagara-on-the-Lake, Ontario, grows marijuana in a greenhouse facility for the purpose of sale before the plant reaches a harvest-ready state. Tweed Farms began production in August of 2014 and the first product grown in the Tweed Farms greenhouse facility was shipped to customers as a finished product from Tweed in December 2014. Tweed Farms is currently operating at approximately 10% of its anticipated peak capacity and work is nearing completion to increase capacity at the site and to install a processing area, subject to approval by Health Canada. The recent works include a tissue culture lab, as well as processing and storage facilities. The expanded capacity and functionality in the 350,000 square foot facility, all of which is licensed to cultivate, are designed to further reduce the operational cost per gram of production at the Tweed Farms location and to ensure license and operational redundancy to the benefit of customers, healthcare practitioners and investor stakeholders.

Tweed Farms is licensed for the cultivation of medical marijuana, subject to renewal on December 31st, 2015, allowing the Company to cultivate up to 11,500 cannabis plants (approximately 575 kg equivalent) at its greenhouse facility. Tweed Farms will apply to Health Canada for a full license to cultivate and sell after the build-out of its processing and storage facility is completed in the last quarter of calendar 2015.

Bedrocan

On August 28th, 2015, the Company acquired Bedrocan pursuant to a definitive plan of arrangement, in which the Company acquired all of the issued and outstanding securities of Bedrocan. The transaction closed on August 28th, 2015 following approval by Bedrocan Canada shareholders and the TSX Venture Exchange and completion of conditions precedent to closing. Bedrocan became a wholly-owned subsidiary of the Company upon closing of the transaction. Management believes this acquisition marks the beginning of the structured evolution of the Canadian cannabis sector, and it is intended that the Company's portfolio of technologies, brands and geographies may continue to expand.

Under the terms of the acquisition, Bedrocan shareholders received 0.4650 common shares of the Company for each common share of Bedrocan held. The Company issued a total of 35,202,818 common shares on closing of the acquisition. In connection with the acquisition, the Company appointed two individuals designated by Bedrocan to the board of directors of the Company and approve a new name, Canopy Growth Corporation, for the Company at the Annual General and Special Meeting of Shareholders that was held on September 17, 2015.

Tweed and Bedrocan represent distinct market segments that appeal to different consumer needs. The Company intends that the Bedrocan brand will be sustained and further supported in establishing its leadership with the clinical and research communities. The Bedrocan division, with its unique focus, will continue to operate separately, though in alignment with the other Canopy Growth operating divisions. Management believes that by uniting Tweed, Tweed Farms, and Bedrocan, Canopy Growth will create the organization best positioned to meet diverse consumer needs, engage in clinical research, and build trust with health practitioners and medical regulators.

RECENT DEVELOPMENTS & SUBSEQUENT EVENTS

Amended License to Produce Cannabis Oils

On July 8, 2015 Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) ("CDSA"), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis (the "Section 56 Exemption"), which permits Licensed Producers to apply for a supplemental license to produce and sell cannabis oil and fresh marijuana buds and leaves, in addition to dried marijuana (this does not permit Licensed Producers to sell plant material that can be used to propagate marijuana). On August 19, 2015, Health Canada approved the supplemental license to produce cannabis oils. Tweed will be required to meet the conditions set out in the Section 56 Exemption with respect to production practices, testing, and product specifications prior to being granted a further license to also sell cannabis oil and fresh marijuana buds and leaves. Tweed installed commercial super-critical CO2 extraction equipment in the Smiths Falls facility and has refined extraction processes since receiving its production license from Health Canada on August 19, 2015. Third-party lab results confirm that Tweed is capable of producing extracts that exceed the regulator's strict guidelines for purity, cleanliness and quality. On November 11, 2015, the Company announced it had invited Health Canada's inspectors to Tweed's production facility to conduct a final inspection of the Company's line of cannabis oil products and production practices in order to amend the license to also sell cannabis oil products.

Acquisition of MedCannAccess

On October 1, 2015, the Company acquired MedCannAccess ("MCA") by way of amalgamation in an all-equity transaction that aims to extend the Company's customer experience beyond online and telephone access. Following the acquisition, the MCA operations were re-branded as "Better by Tweed". Through the integration of MCA, Tweed will offer in-person client services through MCA's existing network of community engagement centres in the key market of Ontario, making Tweed the first Licensed Producer in Canada to offer in-person services in the medical marijuana industry.

The acquisition was completed by way of an amalgamation with a wholly-owned subsidiary of the Company pursuant to the terms of an Amalgamation Agreement dated September 3, 2015 (the "Amalgamation Agreement"). Pursuant to the Amalgamation Agreement, 3,316,902 common shares in the capital of the Company (the "Common Shares") were issued to former shareholders of MCA, of which 2,449,887 are being held in escrow and will be either (i) released to the former shareholders of MCA upon the satisfaction of specific milestones, or (ii) released to the Company for cancellation. The Common Shares were deemed to have been issued at a price of $1.73 per share. In addition to the Common Shares, 924,998 common share purchase warrants (the "Warrants") were issued to the former holders of common share purchase warrants of MCA. The Warrants have an exercise price between $3.68 and $5.70 and expire on May 6, 2016.

Through the acquisition of MCA, the Company will also acquire a 33% stake in CannScience Innovations Inc. ("CannScience"), a drug development company based out of the MaRS Centre in Toronto working collaboratively with the University Health Network. CannScience conducts in-depth extracts research, with the ultimate goal of delivering standardized metered dosing in a range of alternate delivery methods, a priority for the Company as the emerging cannabis extract market evolves. CannScience's lead product in development incorporates the Generex Biotechnology Corporation proprietary RapidMist™ drug delivery technology, which is specially engineered to propel metered doses into the buccal cavity where the active pharmaceutical ingredient is absorbed, providing patients with a safe, simple, and easy way to achieve rapid on-set with no deposit in the lungs.

Bought Deal

On November 18, 2015, the Company announced that it had closed its previously announced short form prospectus offering, on a bought deal basis, of 7,012,700 common shares of the Company for aggregate gross proceeds of $14,376,035 (the "Offering"), inclusive of the over-allotment option granted to the syndicate of underwriters, and before expenses of $1,078,617 for net proceeds of $13,297,418. The Offering was completed at a price of $2.05 per common share (the "Offering Price") by a syndicate of underwriters led by Dundee Securities Ltd. (the "Lead Underwriter"), GMP Securities L.P., INFOR Financial Inc. and M Partners Inc. (collectively, the "Underwriters"). In addition to the bought deal of 6,098,000 common shares for gross proceeds of $12,500,900, the Company also granted the Underwriters an over-allotment option to purchase up to an additional 914,700 common shares of the Company at the Offering Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the Offering. Both the announced bought deal and the over-allotment option closed on November 18th, 2015.

RESULTS OF OPERATIONS

The Company commenced commercial operations in early calendar 2014.

During the three and six months ended September 30, 2015, the Company's wholly-owned operating companies, Tweed and Tweed Farms, focused on production in both the Smiths Falls and Niagara-on-the-Lake facilities with the objective of producing a sustainable increase in inventory. Bedrocan was acquired on August 28th, 2015 and its results of operations are included since the date of acquisition. The Company's inventory available for sale and biological assets (plants in various stages of growth) were as follows: Finished goods inventory at September 30, 2015 amounted to $14,107,105 (March 31, 2015 - $4,355,498) and biological assets amounted to $8,775,617(March 31, 2015 - $2,027,874).

SELECTED QUARTERLY INFORMATION

	Three Months Ended		Six Months Ended	
In dollars, except share amounts	September 30 2015	September 30 2014	September 30 2015	September 30 2014
Revenue	2,466,121	316,117	4,176,278	504,353
Gross margin, including unrealized gain on changes in fair value of biological assets	9,447,608	175,367	13,542,215	284,646
Gross margin %, including unrealized gain on changes in fair value of biological assets	383%	55%	324%	56%
Operating expenses	5,486,747	2,593,981	8,588,684	3,875,705
Income (loss) from operations	3,960,861	(2,418,614)	4,953,531	(3,591,059)
Net income (loss)	3,929,514	(2,376,592)	4,941,297	(3,536,909)
Net income (loss) per share – basic	0.06	(0.06)	0.09	(0.09)
Weighted average shares for the quarter -basic	63,838,863	40,014,430	57,357,148	38,764,764
Net income (loss) per share – diluted	0.05	(0.06)	0.07	(0.09)
Weighted average shares for the quarter -diluted	76,057,904	40,014,430	69,576,190	38,764,764

Revenue

Revenue for the three and six months ended September 30, 2015 was $2,446,121 (three months ended September 30, 2014 - $316,117) and $4,176,278 (six months ended September 30, 2014 - $504,353), respectively. The second quarter revenue is reflective of operations in 12 of an eventual 30 climate-controlled indoor growing rooms at the Tweed facility and the addition of Bedrocan on August 28, 2015, as compared to just 3 grow rooms in the quarter ended June 30, 2014.

The total grams sold in the second quarter was 318,572 grams at an average price of $7.54 per gram, up from approximately 215,929 grams sold in the first quarter at an average price of $7.74 and up from approximately 44,563 grams sold at an average price of $7.38 per gram in the comparative quarter ended September 30, 2014. Year to date, the Company sold 534,501 grams as compared to 70,768 grams the corresponding period last year.

The comparative period represented the commencement of commercial operations for the Company, and with revenue being first recognized in May of 2014.

Cost of Sales

Plants that are in pre-harvest are considered biological assets and are capitalized on the balance sheet at fair market value less cost to sell at their point of harvest. Costs to sell include trimming, fulfillment, testing and shipping costs. As they continue to grow through the pre-harvest stages, a corresponding non-cash unrealized gain is recognized in income through cost of sales, reflecting the changes in fair value of the biological assets. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offsets against the gain on biological assets. In addition, the cost of production is expensed through cost of sales and represents overheads and other production costs of growing and selling the plants. Together, the gain from changes in the fair value of biological assets, inventory expensed and the cost of production comprise cost of sales.

The net recovery to cost of sales in the three months ended September 30, 2015 was comprised of an unrealized gain on changes in the fair value of biological assets of $12,479,853 (three months ended September 30, 2014 - $1,129,724), which more than offset the inventory expensed of $2,678,248 (three months ended September 30, 2014 - $206,755) and $2,820,118 for production costs (three months ended September 30, 2014 - $1,063,719), for a net recovery of $6,981,487 (three months ended September 30, 2014 – Cost of Sales $140,750).

The net recovery to cost of sales in the six months ended September 30, 2015 was comprised of a gain on changes in the fair value of biological assets of $17,754,854 (six months ended September 30, 2014 - $2,256,907), which more than offset the inventory expensed of $4,170,558 (six months ended September 30, 2014 - $390,190) and $4,218,359 for production costs (six months ended September 30, 2014 - $2,086,424), for a net recovery of $9,365,937 (six months ended September 30, 2014 – Cost of Sales $219,707).

Gross Margin, including unrealized gain on changes in fair value of biological assets

The second quarter's gross margin, including unrealized gain on changes in fair value of biological assets, was $9,447,608, or 383.1% of sales, for the three months ended September 30, 2015 (three months ended September 30, 2014 - $175,367and 55.5% of sales). The year to date gross margin, including unrealized gain on changes in fair value of biological assets, was $13,542,215, or 324.3% of sales, for the six months ended September 30, 2015 (six months ended September 30, 2014 - $284,646 and 56.4% of sales).

The gross margin in excess of sales was due to the gain on changes in the fair value of biological assets that resulted from the significant ramp up of plants in production and improving yields. Tweed and Bedrocan's completed and planned grow rooms plus Tweed Farms are expected to yield harvests which will produce increased volumes of available inventories and strains for our registered clients. Larger volumes of product means that the fixed overhead costs will eventually be spread over more product thereby reducing production costs on a per gram basis. The Company continues to refine its production processes and methodologies in order to increase production yields and gross margins.

Adjusted Product Contribution (Non-GAAP Measure)

Management makes use of an "Adjusted Product Contribution" measure to provide a better representation of performance in the period by excluding the non-cash fair value measurements as required by IFRS. The Adjusted Product Contribution used by Management is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, removing fair value measurements as required by IFRS. The following is the Company's Adjusted Product Contribution as compared to the reported gross margin, inclusive of the unrealized gain on changes in fair value of biological assets, in accordance with IFRS for the quarter and year to date period ended September 30, 2015:

The IFRS gross margin, inclusive of the unrealized gain on changes in fair value of biological assets, has been adjusted by removing the effects of the non-cash unrealized gain on changes in fair value of biological assets of $12,479,853 and removing the effect of $2,678,248 in inventory expensed to cost of sales in the period, as fair value measured under IFRS, and removing the effect of all production costs before adding back the costs related to the grams sold in the period at the weighted average cost per gram inclusive of all costs from seed to sale consistent with the accounting estimates for biological assets, inventory and production costs associated with growing and selling medical marijuana.

The resulting Adjusted Product Contribution is $1,535,126, or 62.2% of sales, in the second quarter of Fiscal 2016 and $2,562,947, or 61.4% of sales, on a year to date basis to September 30, 2015.

Non-GAAP Measure **Adjusted Product Contribution**[1]	**Three Months Ended June 30, 2015**	**Three Months Ended September 30, 2015**	**Six Months Ended September 30, 2015**
Sales	**$ 1,710,157**	**$ 2,466,121**	**$ 4,176,278**
Gross margin, including the unrealized gain on changes in fair value of biological assets as reported on the Statements of Comprehensive Loss	**4,094,607**	**9,447,608**	**13,542,215**
Gross margin percentage of sales, including the unrealized gain on changes in fair value of biological assets as reported on the Statement of Comprehensive Loss	***239.4%***	***383.1%***	***324.27%***
Remove the effects of fair value related amounts as reported on the Statements of Comprehensive Loss [2] *:*			
Unrealized gain on changes in fair value of biological assets	(5,275,001)	(12,479,853)	(17,754,854)
Inventory expensed to cost of sales	1,492,310	2,678,248	4,170,558
Remove the effects of total production costs related to biological assets and inventory on the balance sheet and inventory sold in the period as reported on the Statements of Comprehensive Loss [3] *:*			
Production costs	1,398,241	2,820,118	4,218,359
Add:			
Cost of inventory sold[4]	(682,336)	(930,995)	(1,613,331)
Adjusted Product Contribution	**$ 1,027,821**	**$ 1,535,126**	**$ 2,562,947**
Adjusted Product Contribution percentage of sales	***60.1%***	***62.2%***	***61.4%***

Notes:

1 The Adjusted Product Contribution removes the fair value measurements required under IFRS and recognizes the cost of sales based on the weighted average cost per gram to produce and sell product in the period.

2 Includes all fair value adjustments relative to selling price for measuring biological assets on the balance sheet and transferred to inventory and inventory measured at fair value relative to selling price less shipping and other costs.

3 Represents all production costs, inclusive of those costs related to biological assets and inventory on the balance sheet as well as sold in the period.

4 Based on the weighted average of cost per gram from seed to sale of $2.92 per gram in the second quarter and $3.02 per gram for the year to date and applied to the number of grams sold in the period.

Operating expenses

Sales and marketing for the three months ended September 30, 2015 was $872,352 (three months ended September 30, 2014 - $486,330). Year to date, sales and marketing for the six months ended September 30, 2015 was $1,880,942 (six months ended September 30, 2014 - $1,151,132). These costs include the Company's medical outreach program, branding programs and the client care center, which interfaces directly with our clients. The outreach program is targeted towards ensuring that healthcare practitioners understand how they can incorporate medical marijuana into their practices. These expenditures are consistent with the Company's view that early-mover advantage and strong brand recognition are essential to our successful ongoing customer acquisition strategy. These costs represent a strategic investment, which management believes will have a future benefit in customer acquisition and retention.

Research and Development ("R&D") costs were $210,332 for the three months ended September 30, 2015 (three months ended September 30, 2014 - $58,054). Year to date, R&D costs were $248,743 for the six months ended September 30, 2015 (six months ended September 30, 2014 - $118,469). There were no SRED credits recorded in the six months ended September 30, 2015. Our development team is researching a variety of intellectual property opportunities, including those relating to growth patterns under different environmental scenarios and the genetics of various strains. The Company has been in discussion with several research partners and has been working towards obtaining appropriate licensing that would allow research and development with respect to the extraction of cannabis oils and the development or licensing of potential delivery mechanisms.

General and Administrative (G&A) expenses were $2,239,055 for the three months ended September 30, 2015 (three months ended September 30, 2014 - $888,849). Year to date, G&A expenses were $3,654,427 for the six months ended September 30, 2015 (six months ended September 30, 2014 - $1,251,145). G&A includes extensive use of consultants and advisory services while expanding the Company's operations in this early phase of commercialization, facility costs in Smiths Falls, Tweed Farms and Bedrocan and security services at all licensed facilities, compliance costs associated with meeting Health Canada requirements, as well as public company related expenses. Overall, the increase in G&A reflects the Company's growth from the early start-up of last year, building commercial capacity and capability.

The G&A for the three months ended September 30, 2015 also included an out of court settlement in respect of a claim made against the Company. In order to avoid further legal costs associated with potentially lengthy court proceedings, the Company reached a full and mutual release settlement, without either party admitting any liability, and included a release of any claim by the vendors on the seized inventory. The out of court settlement consisted of the Company paying $600,000 in cash and granting 100,000 fully vested options to purchase common stock at a price of $1.76 per share, being the opening price of the Company's common shares on the date of settlement, and expire on September 16, 2017.

During the second quarter, the Company incurred acquisition costs totaling $1,139,154 in respect of fees paid to investment advisors, legal costs and accounting services related to the Bedrocan acquisition which closed on August 28, 2015.

The income from operations amounted to $3,960,861 for the three months ended September 30, 2015 (three months ended September 30, 2014 - Loss from Operations $2,418,614), inclusive of share-based compensation of $573,563 (three months ended September 30, 2014 - $1,024,690) and depreciation of $452,291(three months ended September 30, 2014 - $136,469). Year to date, the income from operations amounted to $4,953,531 for the six months ended September 30, 2015 (six months ended September 30, 2014 - Loss from Operations $3,591,059), inclusive of share-based compensation of $945,071 (six months ended September 30, 2014 - $1,172,487) and depreciation of $720,347 (six months ended September 30, 2014 - $182,473).

The share-based compensation is compensation expense related to employee stock options which are measured at fair value at the date of grant and expensed over the options vesting period.

Interest income is interest received from the cash the Company has deposited with a Schedule A Canadian financial institution and is offset by long-term debt interest expense for loans at Tweed Farms and Bedrocan and miscellaneous interest charges such as on capital leases. For the three months ended September 30, 2015, it netted to interest expense of $28,082 (interest income for the three months ended September 30, 2014 - $42,022) and net interest expense of $8,969 for the six months period, as compared to net interest income of $54,150 for the same comparative period. The higher interest income in the prior period related to higher average cash balances on hand.

Net income for the three months ended September 30, 2015 was $3,929,514, or $0.05 per share on a diluted basis, as compared to a net loss of $2,376,592, or a net loss of $0.06 per share on a diluted basis, for the three months ended September 30, 2014. Net income for the six months ended September 30, 2015 was $4,941,297, or $0.07 per share on a diluted basis, as compared to a net loss of $3,536,909, or a net loss of $0.09 per share on a diluted basis, for the six months ended September 30, 2014.

Liquidity

As at September 30 2015, the Company had cash and cash equivalents available of $7,726,240, down from $21,445,821 at the end of Fiscal 2015 due to both the capital expansion at Tweed and Tweed Farms totaling $7,708,996 year to date and to cash operating losses. While the Company has incurred cash losses to date, management anticipates success and eventual cash profitability of the business, though there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach profitability.

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements. (See **"Recent Events – Bought Deal"**)

The table below sets out the cash, short-term investments and working capital at September 30, 2015 and March 31, 2015.

	Sept 30, 2015	March 31, 2015
Cash	**$ 7,726,240**	**$ 21,445,821**
Short term investments	**$ 296,375**	**$ 10,000**
Long-term debt	**$ 3,823,039**	**$ 1,916,049**
Working capital	**$ 25,719,615**	**$ 24,850,548**

The working capital includes the fair value based measurement of biological assets and inventory under IFRS combining to total $22,882,722 (March 31, 2015 - $6,383,372). The increase in working capital is due to the fair values under IFRS attributed to the increasing inventory levels to meet growth expectations through customer acquisition and the coming extracts market. The increase in long-term debt resulted from debt assumed with the Bedrocan acquisition in the second quarter.

The long-term assets which total $90,142,036 (March 31, 2015 - $18,398,636) are comprised principally of intangible assets of $48,232,943, of which almost all of it resulted from the Bedrocan acquisition in the second quarter of this fiscal year, property, plant and equipment of $36,328,447 plus the leasehold improvements of $5,580,646 that relate to the infrastructure build out for growing production and operations.

In total, the Company received $566,918 in cash proceeds from the exercise of warrants and options during the six months ended September 30, 2015. In the corresponding period in Fiscal 2015, the Company raised equity of $13,475,315, net of share issue costs, in a bought deal which closed on May 14, 2014. In addition, stock options were exercised to result in cash proceeds of $110,081 in the same period last year.

The chart below highlights the Company's cash flows during the three and six months ending September 30, 2015 and September 30, 2014.

Net cash provided by (used in):	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
	$	$	$	$
Operating activities	(3,671,191)	(2,038,580)	(6,969,158)	(4,118,848)
Investing activities	(4,212,487)	(1,858,256)	(7,095,005)	(8,769,721)
Financing activities	443,406	4,945	344,581	13,545,658

Cash Used in Operating Activities

The cash used in operating activities during the three months ended September 30, 2015 was $3,671,191, mostly as the net income of $3,9292,514 included the non-cash unrealized gain on the change in biological assets totaling $12,479,853. For the quarter ended September 30, 2014, cash used in operating activities was $2,038,580, principally due the net loss of $2,376,592 which included the non-cash unrealized gain on biological assets of $1,129,724 offsetting the non-cash stock-based compensation of $1,024,690.

The cash used in operating activities during the six months ended September 30, 2015 was $6,969,158, with the net income of $4,941,297 including the non-cash unrealized gain on the change in biological assets totaling $17,754,854 to more than off-set other changes in non-cash operating items. For the six months ended September 30, 2014, cash used in operating activities was $4,118,848, principally due to the net loss of $3,536,909 which included the non-cash unrealized gain on biological assets of $2,256,907 to more than off-set other changes in non-cash operating items.

Cash Used in Investing Activities

The cash applied to investing activities in the second quarter of Fiscal 2016 totalled $4,212,487 (three months ended September 30, 2014 - $1,858,256). During the three months ended September 30, 2015 the Company paid $1,737,758 on property, plant, and equipment and $3,375,095 towards leasehold improvements relating primarily to investments to expand capacity at Tweed Farms). Year to date, cash used in investing activities totaled $7,095,005 (Six months ended September 30, 2014 - $8,769,721).

Cash from Financing Activities

Cash from financing activities in the second quarter was mostly from the exercise of warrants amounting to $434,367, to result in net cash provided by financing activities totaling $443,406. The cash provided by financing activities in the same quarter last year was negligible at $4,945.
During the six months ended September 30, 2015, the Company received proceeds of $560,099 from warrants, which was partially offset by additional share issue costs of $189,447 from the March 2015 bought deal and paid this fiscal year to net to cash inflows of $344,581. In the corresponding year to date period last year, the Company raised totaled gross proceeds of $15,000,000 in a bought equity deal, before share issue costs of $1,524,685. Including stock options exercised and debt repayments, the total cash provided by financing activities netted to $13,545,658 for the six months ended September 30, 2014.

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, the Company has a history of losses with an accumulated deficit of $5,338,089, share capital of $114,865,886 and working capital of $25,719,615 as at September 30, 2015. This compares to an accumulated deficit of $10,279,386, share capital of $49,826,433 and working capital of $24,850,548 as at March 31, 2015. See below under the heading "Risk Factors".

Capital Activities

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the Company's activities. The Company, upon approval from its Board of Directors, will undertake to balance its overall capital structure through new share issues, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's principal capital needs are for funds to expand its growing rooms, ancillary rooms and general working capital requirements to support growth including new opportunities to produce and sell cannabis oil and fresh marijuana buds and leaves. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock. On November 7, 2014, a mortgage was obtained on the Tweed Farms property. The mortgage was obtained from a leading Canadian financial institution for $1,875,000 at an annual interest rate of 5.3% and had a term of 5 years and an amortization period of 7 years. Through the acquisition of Bedrocan on August 28, 2015, the Company assumed two long-term debt facilities totaling $3,936,081 each with an interest rate of 10%, of which $2,000,000 and has an accelerated due date on December 26, 2015 and the remainder is due on July 1, 2024, payable in blended monthly payments (See **"Transactions with Related Parties"**).

The Company's authorized share capital is an unlimited number of common shares of which 86,651,623 common shares were issued and outstanding as at September 30, 2015 (March 31, 2015 – 50,752,666 common shares); 4,816,598 common share warrants outstanding, exercisable at $0.59 to $2.58 at September 30, 2015 (March 31, 2015 – 426,209 warrants); 439,423 agents options outstanding, exercisable at an average of $1.83 at September 30, 2015 as compared to 437,504 agent options outstanding exercisable at an average of $0.89 at March 31, 2015 and 6,743,312 shares under the Company employee stock option plan ("ESOP") at prices between $0.43 and $3.35 per share (March 31, 2015 – 3,924,000 option shares).

Following the bought deal described under Recent Events and the exercise of warrants subsequent to the end of the second quarter, there were 100,567,916 common shares issued and outstanding at November 26, 2015.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than those as stated below in the section titled "Transactions with Related Parties".

Transactions with Related Parties

The Company leases office premises from Tweed Hershey Drive Inc., a company of which Bruce Linton, a director of the Company, is a shareholder. The lease expires in December 31, 2018 with three (3) additional 5-year renewal options available at the Company's discretion. For the three and six months ended September 30, 2015, the expense incurred under this lease including base rent and operating costs, was $601,774 and $1,231,639 respectively (three months ended September 30, 2014 - $261,692 and $396,692 for the six months ended September 30, 2014). The Company had $790,004 (March 31, 2015 - $665,044) owing related to rent associated with these leased premises at September 30, 2015 and has prepaid rent of $508,500 (March 31, 2015 - $508,500), which is included in prepaid expenses.

The Company leases premises for the two Bedrocan facilities in Toronto from Murray Goldman, a director of Canopy Growth Corporation. The leases expire on October 15, 2018 and August 31, 2024. Included in the expenses for the three months ended September 30, 2015 is an amount of $55,309 for rent and operating costs.

The Chief Executive Officer has been engaged to provide services to the Company at $16,667 per month from July 1, 2013 to July 1, 2015. For the three months and six months ended September 30, 2015, the expense incurred relating to this contract was $50,000 and $100,000, respectively (three months ended September 30, 2014 - $50,000; six months ended September 30, 2014 - $100,000). A new contract is currently being negotiated.

The Company currently has two loans payable a director of Canopy Growth Corporation. Included in interest expense is an amount of $33,383 related to these loans for the three months ended September 30, 2015.

During the three and six months ended September 30, 2015, $68,250 and $108,500 respectively (three months ended September, 2014 - $50,250, six months ended September 30, 2014 - $96,750) was expensed in director's fees. At September 30, 2015, $68,250 (March 31, 2015 - $65,421) remained outstanding.

These transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

RISK FACTORS

Carefully consider the following risk factors in addition to the other information contained in this document. The risks presented below may not be all the risks that the Company may face. Additional risks and uncertainties may also impair its business operations, including those risk factors detailed in the Company's Filing Statement dated March 25, 2014 and Short Form Prospectuses dated May 8, 2014, March 10, 2015, and November 11, 2015 filed with securities regulators on www.SEDAR.com, which risk factors are incorporated by reference into this document.

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

Reliance on License

The Company's ability to grow, store and sell medical marijuana in Canada is dependent on Tweed and Tweed Farms production licenses from Health Canada (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Licenses for Tweed, Tweed Farms, and Bedrocan have been renewed and extended to January 19, 2017, December 31, 2015 and February 17, 2016, respectively. Although Tweed, Tweed Farms, and Bedrocan believe they will meet the requirements of the MMPR for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

Regulatory Risks

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

Change in Laws, Regulations and Guidelines

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

Health Canada inspectors routinely assess Tweed, Tweed Farms, and Bedrocan facilities against MMPR regulations and provide each company with follow up reports noting observed deficiencies. The companies are continuously reviewing and enhancing their operational procedures and facilities both proactively and in response to routine inspections.

The Company and its subsidiaries endeavour to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, Canopy Growth is in compliance of all such laws, regulations and guidelines.

The MMPR is a new regime introduced in June 2013. As such, revisions to the regime could be implemented which could have an impact on the Company's operations. There is also some uncertainty regarding the likely interpretation of certain regulatory provisions by the regulator. Changes in legislation or regulator interpretation could negatively impact the operations of the Company. Similarly, a change in government could result in meaningful changes to the regulatory regime under which the Company operates, which could negatively impact its operations.

On March 21, 2014 the Federal Court of Canada issued an injunctive order affecting the repeal of the *Marihuana Medical Access Regulations* (MMAR) and the application of certain portions of the MMPR, which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on the Company are described in the Company's short form prospectus dated May 8, 2014 under the heading "Summary Description of the Business – Market." The injunction was issued pending final resolution of the case in question, which has still not occurred. The risks to the business of the Company represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licences to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, under which Tweed, Tweed Farms and Bedrocan are Licensed Producers. This could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company.

Tweed has received a notice from the Ontario Ministry of the Environment indicating that in order to be in compliance with the *Environmental Protection Act* and related regulations Tweed must obtain an Environmental Compliance Approval under Section 9 of the *Environmental Protection Act*. Tweed filed an application for an Environmental Compliance Approval within the time required by the Ontario Ministry of the Environment and continues to engage with the Ministry on its procedures.

On June 11, 2015, the Supreme Court of Canada issued a decision with respect to the MMAR, affirming that for those persons entitled to possess dried cannabis, it was unconstitutional to restrict possession of non-dried forms of cannabis. The impact of this decision on the operations of the Company remains unclear, and any regulatory response by the government is uncertain at this time.

On July 8, 2015, following the July 11, 2015 Supreme Court ruling described above, Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) ("CDSA"), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis (the "Section 56 Exemption"), which permits Licensed Producers, such as Tweed, Tweed Farms, and Bedrocan, to apply for a supplemental license to produce and sell cannabis oil and fresh marijuana buds and leaves, in addition to dried marijuana (this does not permit Licensed Producers to sell plant material that can be used to propagate marijuana). Tweed has already submitted an application for a supplemental license, which may or may not be granted. If granted, Tweed will be required to meet the conditions set out in the Section 56 Exemption with respect to production practices, testing, and product specifications.

While the impact of such changes are uncertain and are dependent on which laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that are materially different than the effect on similar-sized companies in the industry.

Reputational Risk to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities. For example, the Company received a notification from its principal banker advising it that they would no longer continue its banking relationship with the Company or any others in the medical marijuana industry. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company's future business operations.

Limited Operating History

Tweed, while incorporated in 2010, began carrying on business in 2013 and did not generate revenue from the sale of products until its first shipment of product on May 5, 2014. Tweed Farms was incorporated in 2012, began carrying on business in 2014 and had its first harvest in the quarter-ended December 31, 2014. Bedrocan was incorporated in 2012 and began operations in 2014, but only became permitted to sell domestically grown medical cannabis on July 28, 2015. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on Facilities

The Company's activities and resources are focused on Tweed's facility in Smiths Falls, Ontario, Tweed Farms' facility in Niagara-on-the-Lake, Ontario, and Bedrocan's facility in Toronto, Ontario. Adverse changes or developments affecting either facility, including but not limited to a breach of security, could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

Both the Smiths Falls facility occupied by Tweed and the Tweed Farms facility in Niagara-On-The-Lake are approaching 25 years since initial construction. Both facilities continue to operate with routine maintenance however buildings do have components that require replacement. Through the terms of its lease for the Smiths Falls facility, Tweed will bear many of the costs of maintenance and upkeep of its portion of such facility.

The Tweed Farms greenhouse facility is 350,000 square feet. Tweed Farms owns its facility and is responsible for all of the costs of maintenance and upkeep.

The Bedrocan facility is 52,000 square feet and under the terms of its lease is responsible for the maintenance and upkeep of the leased facility.

The Company's operations and financial performance may be adversely affected if any of Tweed, Tweed Farms, and Bedrocan is unable to keep up with maintenance requirements.

Reliance on Management

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

Factors which may Prevent Realization of Growth Targets

The Company is currently in the early development stage and seeks to both increase product production and concurrently increase client acquisition. The Company's growth strategy contemplates outfitting the Smiths Falls and Niagara-on-the-Lake facilities with additional production resources. There is a risk that these additional activities will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of *factors,* including some that are discussed elsewhere in these Risk Factors and the following:

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

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

<u>The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability</u>

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

<u>Additional Financing</u>

Even if its financial resources upon completion of the bought deal described under Recent Events (the "Offering") are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through further issuances of equity or convertible debt securities, including the Offering, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company had negative operating cash flow for the six month period ended September 30, 2015, the fifteen-month period ended March 31, 2015 and year ended December 31, 2013. If the Company continues to have negative cash flow into the future, net proceeds may need to be allocated to funding this negative cash flow in addition to the operational expenses listed above under the heading "Use of Proceeds". The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

Competition

On October 19, 2015, the Liberal Party of Canada obtained a majority government in Canada. The Party has committed to the legalization of recreational cannabis in Canada, though no model for this regulatory change has been publicly disclosed or timeline for implementation put forward. This regulatory change may not be implemented at all. The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company, and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

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

The government has only issued to date a limited number of licenses under the MMPR to produce and sell medical marijuana. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there are currently 26 Licensed Producers. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agricultural Business

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

Vulnerability to Rising Energy Costs

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

Transportation Disruptions

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

Unfavourable Publicity or Consumer Perception

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

Product Liability

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

Product Recalls

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

Reliance on Key Inputs

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

Dependence on Suppliers and Skilled Labour

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

Difficulty to Forecast

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

Operating Risk and Insurance Coverage

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

Exchange Restrictions on Business

TSXV required that, as a condition to listing, the Company deliver an undertaking confirming that, while listed on TSXV, the Company will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the License. This undertaking could have an adverse effect on the Company's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company is still listed on the TSXV and still subject to such undertaking at the time. This undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Management of Growth

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

Risks inherent in the acquisition of the Acquired Companies

While the Company conducted substantial due diligence in connection with the acquisition of the Acquired Companies, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company currently anticipates that its acquisition of the Acquired Companies will be accretive; however, this expectation may materially change. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.

The Company could fail to successfully integrate the Acquired Companies into the business of the Company.

The success of the acquisition of the Acquired Companies will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company.

The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of the Acquired Companies with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of the Acquired Companies may also impose substantial demands on the Company's management. There is no assurance that these acquisitions will be successfully integrated in a timely manner. The challenges involved in the Company's integration of the Acquired Companies may include, among other things, the following:

- the necessity of coordinating both geographically disparate and geographically overlapping organizations;
- retaining key personnel, including addressing the uncertainties of key employees regarding their future;
- integrating the Acquired Companies into the Company's accounting system and adjusting the Company's internal control environment to cover the operations of the Acquired Companies;
- integration of information technology systems and resources;
- performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the integration of the Acquired Companies; and
- unplanned costs required to integrate the Acquired Companies with the Company's existing business.

Conflicts of Interest

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

Litigation

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

A description of current litigation is described in Note 14 to the Interim Financial Statements for the three and six months ended September 30, 2015.

Dividends

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

Limited Market for Securities

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

Environmental and Employee Health and Safety Regulations

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

Volatile Market Price for the Common Shares

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

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

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

A Substantial Number of Common Shares are Owned by a Limited Number of Existing Shareholders

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares (on a fully diluted basis). As such, the Company's management, directors, co-founders and employees, as a group, each are in a position to exercise influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions. As well, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities at the end of the reporting period

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believe are reasonable in the circumstances. By their nature these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods affected.

Significant estimates in the accompanying consolidated financial statements relate to accruals and provisions, inventory, biological assets, stock-based compensation, the estimated useful lives and valuation of property, plant and equipment, and the carrying values of intangible assets. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

Refer to Note 3 in the notes to the Interim Financial Statements for new and revised IFRS in issue but not yet effective.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The Company uses "Income (loss) from operations" as an additional GAAP financial measure within the financial statements and MD&A and "Adjusted Product Contribution" as a Non-GAAP measure in the MD&A, but neither is a defined term under IFRS to assess performance. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Income (loss) from operations is calculated as total revenues less total operating expenses derived from the Condensed Interim Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

“Adjusted Product Contribution” is a metric used by management to measure performance efficiencies in growing and selling medical marijuana. The metric is calculated by removing all amounts related to fair value accounting under IFRS and all production costs, and then adding back the costs related to the inventory sold in the period, based on the weighted average cost per gram to produce product from seed to sale and the number of grams sold in the period.