Tweed Marijuana Inc.

Management's Discussion and Analysis of the Financial Condition and Results of Operations

For the fifteen month period ended March 31, 2015

This Management's Discussion and Analysis of the Financial Condition and Results of Operations ("MD&A") for the fifteen month fiscal period ended March 31, 2015 is prepared as of June 26, 2015 and derived from and should be read in conjunction with Tweed Marijuana Inc.'s ("the Company" or "Tweed Marijuana") audited consolidated financial statements (the "Financial Statements") for the fifteen months ended March 31, 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 year ended December 31, 2013.

These Financial Statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

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

The Company's continuous disclosure documents, including the Filing Statement dated March 25, 2014 with respect to the Qualifying Transaction and the Short Form Prospectus with respect to the bought deals dated May 8, 2014 and March 10, 2015 are found on SEDAR at www.sedar.com.

All dollar figures referred to herein are Canadian dollars unless otherwise stated.

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.

OVERVIEW

Tweed Marijuana Inc. 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 TSX Venture Exchange ("TSXV"), under the trading symbol "TWD". Through its wholly owned subsidiaries, Tweed and Tweed Farms, the Company is in the business of producing and selling medical marijuana in Canada.

Tweed is licensed as a Licensed Producer of medical marijuana under the Marihuana for Medical Purposes Regulations (MMPR). Tweed's Commercial License has a current term of renewal on November 18, 2015. Tweed's Commercial License currently allows Tweed to produce 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 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.

At the end of each term of their respective Licenses, each of Tweed and Tweed Farms 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.

Clients of Tweed order medical marijuana from Tweed primarily through Tweed's online store 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.

Tweed Inc.

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 as sufficient space to accommodate extraction facilities should such activities become permissible. 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.

During the past year, Tweed 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, Tweed 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, Tweed 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. As announced in February 2015, 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 its knowledge, the first Licensed Producer to have an accredited M1 continuing medical education program to assist doctors, and in partnership with Bedrocan Canada, 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.

Tweed 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.

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 Tweed Marijuana 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 presently underway 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 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.

On December 31st, 2014, Tweed Farms obtained a license renewal for the cultivation of medical marijuana. The license is valid through December 31st, 2015 and will allow the Company to cultivate up to 11,500 cannabis plants at its greenhouse facility.

RECENT DEVELOPMENTS & SUBSEQUENT EVENT

Change in Year-End

On November 24, 2014, Canada Revenue Agency approved the year-end change for the Company to March 31st from December 31st. The change in year-end coordinated the year-end of the parent company with the year-end of its two operating subsidiaries.

Bought Deals

On March 17, 2015, the Company announced that it had closed its previously announced short form prospectus offering, on a bought deal basis, of 9,302,400 common shares of the Company for aggregate gross proceeds of $20,000,160 (the "Offering"). The Offering was completed at a price of $2.15 per common share (the "Offering Price") by a syndicate of underwriters led by GMP Securities L.P. and including Dundee Securities Ltd. and M Partners Inc. (collectively, the "Underwriters"). Tweed also granted the Underwriters an over-allotment option to purchase up to an additional 1,395,360 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.

On March 27, 2015, the Company announced that the Underwriters of the Offering had exercised their over-allotment option in part to purchase an additional 795,360 common shares of the Company at a price of $2.15 per Common Share for gross proceeds to the Company $1,710,024 (the “Over-Allotment Offering”). This partial exercise of the over-allotment option brought the total gross proceeds of the combined Offering and Over-Allotment Offering to an amount of $21,710,184. The balance of the over-allotment option was not exercised and expired.

This bought deal was the second such financing by the Company. On May 14, 2014, the Company announced that it had closed a short form prospectus offering, on a bought deal basis, of 4,687,500 common shares for aggregate gross proceeds of $15,000,000 (the “Offering”). The Offering was completed at a price of $3.20 per common share (the “Offering Price”) by a syndicate of underwriters led by GMP Securities L.P. and including Jacob Securities Inc. (the “Underwriters”). The Company also granted the Underwriters an overallotment option to purchase up to an additional 703,125 common shares 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. Such over-allotment option was not exercised.

Acquisition of Bedrocan Cannabis Corp.

On June 24, 2015, the Company announced that it has entered into a definitive arrangement agreement with Bedrocan Cannabis Corp. (“Bedrocan Canada”), pursuant to which the Company will acquire all of the issued and outstanding securities of Bedrocan Canada. 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 Canada shareholders will be entitled to receive 0.4650 common shares of the Company for each common share of Bedrocan Canada held. It is expected that the Company will issue a total of 33,865,950 common shares in connection with the acquisition. In connection with the acquisition, the Company will appoint two individuals designated by Bedrocan Canada to the board of directors of Tweed Marijuana. The acquisition is intended to be implemented by way of plan of arrangement and is currently expected to close by the end of August 2015. Closing remains subject to Bedrocan Canada shareholder approval, court approval, the approval of the TSX Venture Exchange, and an amendment to the terms of Bedrocan Canada's license agreement with Bedrocan Beheer BV, among other conditions precedent. Upon closing of the acquisition, Bedrocan Canada will become a subsidiary of the Company.

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

RESULTS OF OPERATIONS

The Company commenced commercial operations in the fifteen month fiscal period ended March 31, 2015. The prior year ended December 31, 2013 reflected early stage development of the Company.

During the fifteen month fiscal period, which ended March 31, 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. As a result, inventory available for sale and biological assets (plants in various stages of growth) at March 31, 2015 were as follows: Finished goods inventory at March 31, 2015 amounted to $4,355,498 (December 31, 2013 - $NIL) and biological assets amounted to $2,027,874 (December 31, 2013 - $NIL).

SELECTED ANNUAL & QUARTERLY INFORMATION

		Fifteen Months Ended	Three Months Ended				
		Mar 31, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
		$	$	$	$	$	$
Grams sold	*In grams*	324,471	166,657	87,138	44,470	26,205	-
Revenue		2,371,351	1,225,689	641,309	316,117	188,236	-
Gross margin		2,826,204	2,411,855	230,595	74,475	109,279	-
Gross margin %		*119%*	*197%*	*36%*	*24%*	*58%*	-
Operating expenses		11,031,929	2,880,477	2,885,221	2,493,089	1,281,724	1,491,418
Loss from operations		(8,205,725)	(468,622)	(2,654,626)	(2,418,614)	(1,172,445)	(1,491,418)
Net loss		(9,346,461)	(415,086)	(2,638,186)	(2,376,592)	(1,160,317)	(2,756,280)
Net loss per share – basic and diluted		(0.29)	(0.01)	(0.07)	(0.06)	(0.03)	(1.40)
Weighted average shares for the quarter		32,181,688	42,142,658	40,318,150	40,014,430	37,646,785	1,965,713

Revenue

Revenue for the fifteen months ended March 31, 2015 was $2,371,351 (2013 - $NIL).). This was the first year of commercial operations for the Company, and with revenue being first recognized in May of 2014. Since then, the revenue resulted from the growing customer acquisition base, especially since December 2014, plus the first Tweed Farms harvest, with approximately 50% of the year's revenue being earned in the last quarter of the fiscal period. There were no revenues for the twelve-month period ended December 31, 2013.

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 are continue to grow through the pre-harvest stages, a corresponding non-cash gain is recognized in income through cost of sales. 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 on biological assets, inventory expensed and the cost of production comprise cost of sales.

Cost of sales in the fifteen month period ended March 31, 2015 was comprised of a gain on changes in the fair value of biological assets of $8,575,476 (2013 - $NIL), representing the start-up and growth of plants which more than offset the inventory expensed of $2,399,776 (2013 - $NIL) and $5,720,847 for production costs in the initial year of starting up (2013 - $NIL), for a net recovery of $454,853 (2013 - $NIL).

Gross Margin

Gross margin was $2,826,204 or 119% of sales for the fifteen month period ended March 31, 2015 (2013 - $NIL). The gross margin in excess of sales was due to the gain on biological assets that resulted from the initial and significant ramp up of plants in production. Tweed's recently 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 are eventually 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.

Operating expenses

Sales, branding and medical outreach and education costs for the fifteen month period ended March 31, 2015 was $2,685,107 (2013 - $191,717). These costs include the Tweed 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 Tweed'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 costs were $266,976 for the fifteen month period ended March 31, 2015 (2013 - $NIL). 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. Since October 2014, Tweed 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 $5,520,860 for the fifteen months ended March 31, 2015 (2013 - $586,176). G&A includes extensive use of consultants and advisory services in the first year of operations, as well as facility costs such as rent in Smiths Falls and security services at both licensed facilities.

Loss from operations amounted to $8,205,725 for the fifteen months ended March 31st, 2015 (2013 - $931,657), including total share-based compensation of $2,558,986 (2013 - $153,764).

Share-based compensation of $1,558,988 for the fifteen months ended March 31, 2015 (2013 - $153,764) 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. Additional share-based compensation in the amount of $999,998 was recorded in the fifteen month period ending March 31, 2015 relating to the first and second tranches under the Tweed Farms acquisition. A portion of the Tweed Farms consideration was contingent on future performance and issued to a key individual, so the corresponding amounts were recorded to share-based compensation expense.

Interest income is net of interest received from the cash the Company has deposited with a Schedule A Canadian financial institution; mortgage interest expense for Tweed Farms (see note 12) and miscellaneous interest charges such as on capital leases. For the fifteen month period ended March 31, 2015 it amounted to $51,101.

Net loss for the fifteen months ended March 31, 2015 was $9,346,461 as compared to a net loss of $932,925 for the year ended December 31, 2013.

Liquidity

As at March 31 2015, the Company had cash available of $21,445,821. While the Company has incurred losses to date, management anticipates success and eventual 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 gross margins 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.

The table below sets out the cash, short-term investments and working capital at March 31, 2015 and December 31, 2013.

	As at	
	March 31, 2015	**December 31, 2013**
	$	**$**
Cash and cash equivalents	**21,445,821**	2,089,794
Short term investments	**10,000**	10,000
Working capital	**24,850,548**	1,817,024

The increase in the working capital is primarily due to the $21.7 million "bought deal" equity financing raised in the fifth quarter (and described under Recent Developments & Subsequent Event in this MD&A), offset by cash used in operating activities including the acquisition of Tweed Farms and the investment in long-term assets for the business. The long-term assets which total $18,360,382 are property, plant and equipment plus the leasehold improvements that relate to the infrastructure build out for growing production and operations.

In total, the Company raised $45,652,025 in cash proceeds from equity financings during the fifteen month period ended March 31, 2015. More detail on these equity financings is provided under Recent Developments elsewhere in this Management Discussion and Analysis.

The chart below highlights the Company's cash flows during the fifteen months ending March 31, 2015.

Net cash provided by (used in):	**Fifteen months ended March 31, 2015**	**Twelve months ended Dec 31, 2013**
	$	**$**
Operating activities	**(10,892,150)**	(1,381,615)
Investing activities	**(15,385,551)**	(1,060,861)
Financing activities	**45,633,459**	4,532,440

Cash Used in Operating Activities

The cash used in operating activities of $10,892,150 was principally due to the net loss of $9,346,461 with the effect of the non-cash gain on the change in biological assets more than offsetting the non-cash effects of non-cash stock compensation expense and the change in non-cash operating working capital items.

Cash Used in Investing Activities

During the fifteen months ended March 31, 2015 the Company spent $4,995,728 on property, plant, and equipment and $10,384,823 towards leasehold improvements relating primarily to completing the grow rooms, which became available for use during the year.

Cash from Financing Activities

Cash from financing activities was due to the equity raises totaling gross proceeds of $45,652,025 during the 15 month period ended March 31, 2014, along with the issuance of long-term debt of $1,974,525 in connection with the Tweed Farms acquisition, partially offset by share issue costs of $3,485,524 associated with the financings.

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 $10,279,386, shareholders' equity of $41,409,398 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. 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.

The Company's authorized share capital is an unlimited number of common shares of which 50,752,666 common shares are issued and outstanding as at March 31, 2015; 426,209 common share warrants outstanding, exercisable at $0.59; 437,504 agents options outstanding, exercisable at an average of $0.89 and 3,924,000 shares under the Company employee stock option plan ("ESOP") at prices between $0.43 and $3.35 per share.

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 15 month period ended March 31, 2015 the expense incurred under this lease was $1,821,620. The Company had $665,044 (2013-$ NIL) owing related to rent associated with these leased premises at March 31, 2015 and has $508,500 on deposit for the last ten months in accordance with the lease agreement. This deposit is included in prepaid expenses.

A Director has been engaged to provide consulting services to the Company at $16,667 per month from July 1, 2013 to July 1, 2015. For the 15 month period ending March 31, 2015, the expense incurred relating to this contract was $400,000, of which $150,000 related to a bonus paid.

As at March 31, 2015, the remaining payment in connection with the Tweed Farms acquisition of $$100,000 was still outstanding as well as the remaining milestone of $500,000 in stock as outlined in Note 11.

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: Tweed was one of the very first companies to obtain a license to produce medical marijuana in Canada. 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 only 18 fully authorized licensed producers listed on Health Canada's website as actively licensed to cultivate and sell. 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: Tweed Marijuana 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 Tweed Marijuana the first geographically diversified, multi-license, publicly traded producer in Canada, and allows for a mix of indoor and greenhouse production. Tweed Marijuana has completed two growing cycles at Tweed Farms and received approval to cultivate 11,500 plants through 2015. Further growing cycles are currently underway. The entire greenhouse facility of 350,000 square feet is being prepared and securitized for full-scale operation. A separate processing facility is being planned in 2015 to enhance the capabilities of Tweed Farms. In addition, on June 24, 2015, the Company announced that it would acquire Bedrocan Canada under a plan of arrangement that is expected to close in August 2015. Further Details are provided under Subsequent Event elsewhere in this Management Discussion and Analysis.

Public Markets: Tweed Marijuana was the first licensed producer in Canada to be listed on the TSX Venture exchange, 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.

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 and March 10, 20152015arch105 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 and Tweed Farms have been renewed and extended to November 18th, 2015 and December 31st, 2015, respectively. Although Tweed and Tweed Farms 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 and Tweed Farms facilities against MMPR regulations and provide the 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, Tweed 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 and Tweed Farms 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.

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.

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. 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 and Tweed Farms' facility in Niagara-on-the-Lake, 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 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 Company's operations and financial performance may be adversely affected if either of Tweed or Tweed Farms is unable to keep up with maintenance requirements.

<u>Reliance on Management</u>

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.

<u>Factors which may Prevent Realization of Growth Targets</u>

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 while effective November 21st, 2014 has also eliminated a waiting list for prospective patients. 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.

Additional Financing

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company may require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

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

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. See the Company's short form prospectus dated May 8, 2014 under the heading "*Summary Description of the Business – Competition*" for further details about the competition faced and to be faced by 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.

To date, Health Canada has only issued a limited number of licenses under the MMPR to produce and sell medical marijuana. There are however, numerous pending applications for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical 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 Inc. 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 Inc.'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 Tweed'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.

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 17 to the consolidated financial statements for the fifteen month period ended March 15, 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.

<u>A Substantial Number of Common Shares are Owned by a Limited Number of Existing Shareholders</u>

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 (o).

(i) New standards effective for 2015

Refer to Note 3 (o) in the notes to the consolidated financial statements.

(ii) New and revised IFRS in issue but not yet effective.

Refer to Note 3 (o) in the notes to the consolidated financial statements.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The Company uses "Loss from Operations" as an additional GAAP financial measure within the financial statements and MD&A but it is not a defined term under IFRS to assess performance. Management believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Loss from operations is calculated as total revenues less total operating expenses derived from the 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.