WILLOW BIOSCIENCES INC.

(FORMERLY MAKENA RESOURCES INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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This Management's Discussion and Analysis ("**MD&A**") of Willow Biosciences Inc. ("**Willow**" or the "**Corporation**") has been prepared by management as of March 24, 2020.

This MD&A should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2019 and supporting notes (the "**Financial Statements**"). The Financial Statements, as well as comparative information included in this MD&A for the financial year ended December 31, 2018, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars. Certain dollar amounts have been rounded to the nearest million dollars, hundred thousand dollars or thousand dollars, as noted.

Additional information relating to Willow can be found at www.willowbio.com. The Corporation's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, management information circulars, annual information forms and various reports issued by the Corporation are also available through SEDAR at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may include forward-looking statements including opinions, assumptions, estimates, the Corporation's assessment of future plans and operations, and, more particularly, statements concerning: Willow's milestone projections and timeline to commercialization, including the timing and quantity of development scale-up and commercialization scale-up; potential negotiations with consumer-packaged goods entities; the market size potential of the synthetic cannabinoid industry; Willow's entry into new global markets; the development of a yeast-based cannabinoid production platform; improved productivity and yield; future revenue generation; the performance of the science team, management and board of the Corporation; the strategic partnership with Noramco and AMRI (as defined below) and other future strategic relationships; the use of proceeds from the Private Placement (as defined below) and warrant exercises; and the business plan of the Corporation, generally, including cannabinoid research and production at the facilities located in Alberta, British Columbia and California. When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by the Corporation which include, but are not limited to: the success of Willow's strategic partnerships, including the development of future strategic partnerships; the financial strength of the Corporation; the market for Willow's products; the ability of the Corporation to obtain and retain applicable licences; and the successful implementation of Willow's commercialization strategy, generally. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Corporation believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, risks associated with the cannabinoid industry in general, infringement on intellectual property, failure to benefit from partnerships or successfully integrate acquisitions, actions and initiatives of federal and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies, import/export and research restrictions for cannabinoid-based operations, the size of the cannabinoid market, competition from other industry participants, adverse U.S., Canadian and global economic conditions (including due to the recent COVID-19 outbreak), failure to comply with certain regulations, departure of key management personnel or inability to attract and retain talent regulatory and other factors more fully described from time to time in the reports and filings made by the Corporation with securities regulatory authorities. Except as required by applicable laws, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of the Corporation's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

Overview

The Corporation's common shares (the "**Common Shares**") are listed on the Toronto Stock Exchange ("**TSX**") under the trading symbol "WLLW", and under the trading symbol "CANSF" on the OTCQB® Venture Market. The Corporation's head office and registered office is located at 3655 36th Street NW, Calgary AB, T2L 1Y8 and it has operations in Burnaby, British Columbia and Mountain View, California.

Willow is a Canadian biotechnology company that produces high purity, nature-based compounds for the global pharmaceutical industry. Willow is initially focused on the production of cannabinoids for the treatment for pain, anxiety, obesity, cancer treatments and brain disorders. With its proven science team, Willow is building on its prior successes, including high purity compounds used today in pain and cancer treatments. Willow uses a scalable manufacturing process to create a consistent, sustainable compound that allows for the discovery and economic development of new, life changing drugs.

Willow has three laboratories for research and development in Calgary, Alberta, Mountain View, California and Burnaby, British Columbia. At Willow's facility in Calgary, Alberta, the Corporation focuses on deploying Willow's proprietary genomics tools to resolve the key bottlenecks that impede maximum biosynthetic cannabinoid production in the Corporation's industrially appropriate yeast manufacturing system. The research team led by Dr. Peter Facchini includes 13 scientists with backgrounds in genomics, plant biochemistry, chemistry and analytics. The 4,000 square foot secure facility employs cutting-edge bioassay capabilities, liquid handling robots, and analytical instrumentation, and leverages access to the University of Calgary's plant cultivation resources and growth chambers.

In Mountain View, California, the team exploits a wide variety of high throughput screening technologies to identify and deploy additional genetic elements and solutions to further enhance production from its working cannabinoid-producing yeast strains. This secure facility includes cutting-edge automation equipment, liquid handling robots, and analytical instrumentation combined with large scale bioinformatics and data handling systems to rapidly evaluate high volumes of data and results. The research team currently consists of 12 including several key personnel focused on strain engineering, high throughput screening and analytics assay development.

Willow's lab in Burnaby, British Columbia, focuses on correlating the physical characteristics of cannabis plant strains with their unique genomic underpinnings to enable the improvement of both plant and yeast strains, and also houses state-of-the-art molecular biology and analytical chemistry capabilities.

CBD Production Through Biosynthesis

Cannabis sativa (marijuana, hemp; Cannabaceae) is a plant with a range of medicinal properties. Its unique effects are due to the presence of cannabinoids, which include cannabidiol ("**CBD**") and more than 80 other related metabolites. Medical marijuana and cannabinoid drugs are increasingly being used to treat a range of diseases and conditions such as multiple sclerosis and chronic pain.

Currently, production of cannabinoids for pharmaceutical or other uses is through extraction from cannabinoid-producing plants such as cannabis sativa, or by chemical synthesis.

Biosynthesis is a multi-step, enzyme-catalyzed process where substrates are converted into more complex products within living organisms. While various living organisms can be used for biosynthesis including *E. coli*, algae or yeast, Willow uses a type of yeast known as *Saccharomyces cerevisiae*.

Biosynthesis offers a potential low-cost solution for production of pure cannabinoids. For example, cannabinoid production in yeast can be achieved from hexanoic acid using five plant-derived enzymes, specifically acyl-CoA activating enzyme, an olivetol synthase, a cyclase enzyme, a prenyltransferase, and a final FAD-linked oxidoreductase (e.g., CBDA synthase) (Figure 1). Heterologous expression of the first four of these enzymes yields cannabigerolic acid (CBGA), while the oxidoreductase enzyme, e.g., cannabidiolic acid synthase, completes the final step to produce cannabidiolic acid (CBDA).

Operational Update

On June 4, 2019, the Corporation entered into an exclusive Joint Development Agreement ("**JDA**") to collaboratively develop and commercialize a yeast-based production platform for the manufacturing and distribution of CBD with Noramco, Inc. ("**Noramco**"). Under the JDA, Willow is responsible for optimizing yeast strains in a biosynthetic process to produce ultrapure, high yield CBD. Given its existing expertise in the production of CBD and related compounds and its experience in delivering them for clinical and pharmaceutical applications, Noramco is responsible for scale-up, regulatory submission, marketing and distribution. The parties cover their respective costs, retain the intellectual property associated with their respective scopes of work and, as allowed by existing agreements, share equally in gross profits from sales of CBD manufactured under the JDA.

During the first quarter of 2020, Willow has generated a stable production yeast strain, optimized cannabinoid pathway genes for function in yeast and identified hundreds of plant-derived and other genetic elements that can further increase its cannabinoid titer. Through this strategy, Willow has engineered its yeast to produce sufficiently high cannabinoid product titer to initiate relevant Downstream Process Development (DSP) efforts for isolation and purification of the cannabinoid with its contract development manufacturing partner ("**CDMO**"). On February 26, 2020, the Corporation signed an agreement with Albany Molecular Research, Inc. ("**AMRI**") whereby AMRI is to be Willow's CDMO. Willow will start its initial development scale up-work in lab-scale fermentation vessels with the goal of reaching a 500-litre pilot-scale by the fourth quarter of 2020. The scale-up process to reach pilot-scale includes strain development to increase the cannabinoid concentration of the yeast cell, fermentation optimization, and purification of the fermentation broth into the pure cannabinoid. Following the pilot project, Willow expects to advance the scale-up to larger, commercial-scale fermentation vessels as early as the first half of 2021.

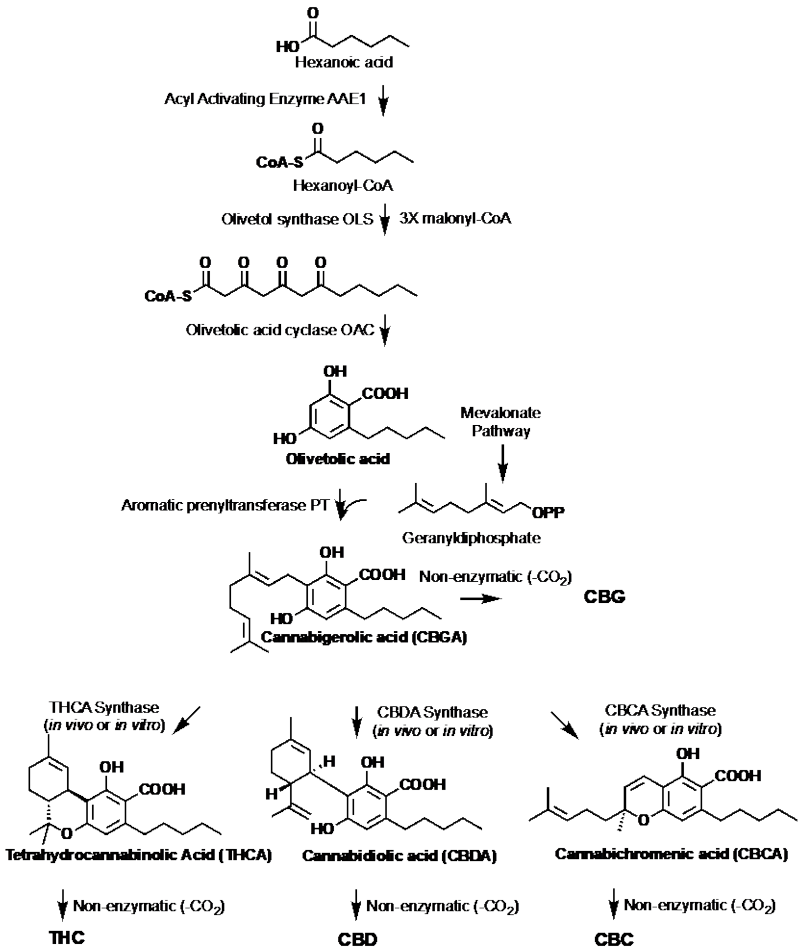

Figure 1. Biosynthetic pathway to cannabinoids

Corporate Developments

The Arrangement

On April 12, 2019, BioCan Technologies Inc. ("**BioCan**") and the Corporation completed a reverse takeover whereby the Corporation acquired 100% of the outstanding common shares of BioCan (the "**BioCan Shares**") by issuing 17,142,878 Common Shares to BioCan shareholders in exchange for their BioCan Shares. This resulted in BioCan shareholders gaining control of the Corporation. The acquisition was completed by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Arrangement**"). At the time of the Arrangement, the Corporation had 1,409,847 Common Shares, 729,748 Common Share purchase warrants and 37,490 stock options outstanding. The purpose of the Arrangement was to allow BioCan to become a publicly-listed entity.

As part of the Arrangement, the Corporation completed the acquisition of 100% of the outstanding common shares of Epimeron Inc. ("**Epimeron**") in exchange for 17,143,199 Common Shares of the Corporation. The purchase price was calculated based on the closing price of the Common Shares at the closing date, and it exceeded the net assets of Epimeron Inc. by $31.7 million, which was recognized as goodwill. The Corporation valued Epimeron's 16 patents and patents pending at $6.6 million, which will be amortized over their useful life.

Concurrent with the Arrangement, the Corporation: (i) replaced its board of directors and management team with a new board and management team; and (ii) changed its name to "Willow Biosciences Inc." and its ticker symbol on the Canadian Securities Exchange (the "**CSE**") to "WLLW".

The pre-Arrangement Corporation did not meet the definition of a business and the acquisition was accounted for as the purchase of the Corporation's net assets by BioCan. The net purchase price was determined as equity settled share-based payment, under IFRS 2, Share-based payments.

Private Placement and Public Listing

On April 12, 2019, and concurrent with the Arrangement, the Corporation closed a private placement of Common Shares and units (the "**Units**"), which consisted of one Common Share and one performance Common Share purchase warrant (each, a "**Performance Warrant**"), for gross proceeds of $29.2 million, resulting in the issuance of 33,371,428 Common Shares and 24,169,722 Performance Warrants (the "**Private Placement**"). On May 22, 2019, 9,219,390 Performance Warrants were exercised for gross proceeds of $8,066,952.

Listing on the OTCQB® Venture Exchange

On November 5, 2019, the Corporation received approval to commence trading on the OTCQB® Venture Exchange in the United States under the ticker "CANSF".

Listing on the Toronto Stock Exchange

On December 5, 2019, the Corporation listed its shares on the TSX and simultaneously delisted its shares from the CSE. The stock ticker remained the same as "WLLW".

Outlook

Willow is focused on developing and refining its stains and enzymes that biosynthesize CBD, optimizing production levels and improving the performance of its processes. In March of 2020, the Corporation commenced scale-up work in lab-scale fermentation vessels with the goal of reaching a 500-litre pilot scale demonstration by the fourth quarter of 2020. The scale-up process to reach pilot-scale includes iterative strain development to increase the cannabinoid concentration of the yeast cell, fermentation optimization, and purification of the fermentation broth into the pure cannabinoid. Following the pilot project, Willow expects to advance the scale up to larger, commercial-scale fermentation vessels as early as the first half of 2021.

With approximately $19.6 million in cash as of December 31, 2019, Willow is well positioned to fund its operations to commercialization.

Willow continues to evaluate strategic relationships with various entities in the consumer-packaged goods and pharmaceutical industries, with a view towards defining Willow's market participation and potentially gaining entry into new global markets.

For further information on the Corporation's various milestones and the anticipated timing and costs associated therewith, please refer to the section titled "*Description of the Business of the Company – Business Objectives and Strategy*" of the Corporation's Annual Information Form for the year ended December 31, 2019, dated March 24, 2020, a copy of which is available under the Corporation's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Financial Results:		
Revenues	$ (4,584)	$ (16,913)
General and administrative	5,652,436	961,603
Research and development	2,671,560	68,178
Stock based compensation	2,589,165	588,305
Depreciation, amortization and lease costs	2,168,167	46,391
Goodwill impairment	31,739,103	-
Transaction costs	1,892,126	-
Gain on fair value adjustments	(496,252)	-
Net finance income	(64,757)	-
Loss before income taxes	(46,146,964)	(1,661,477)
Deferred income tax recovery	1,580,374	-
Net loss	$ (44,566,590)	$ (1,644,564)
Foreign exchange loss on translation of foreign operations	(170,945)	-
Net comprehensive loss	$ (44,737,535)	$ (1,644,564)
Basic and diluted loss per share	$0.62	$0.03
	As at December 31,	
Statement of Financial Position:	**2019**	**2018**
Cash and cash equivalents	$ 19,643,939	$ 372,343
Total assets	33,883,625	967,034
Non-current liabilities	10,025,875	-
Shareholders' equity	22,008,829	835,034

General and Administrative Expenses

	Years ended 2019	2018
Consulting and technical services	$ 671,254	$ 11,600
Salaries, wages and benefits	1,489,325	425,390
Legal, audit and accounting	834,920	222,461
Investor relations	826,456	160,620
Corporate and office	1,830,481	141,532
General and administrative expenses	$ 5,652,436	$ 961,603

General and administrative expenses include corporate consulting services, non-research and development salaries, legal, audit and accounting, travel, public company costs and general corporate expenses.

During the year ended December 31, 2019, general and administrative expenditures totaled $5.7 million (2018 - $1.0 million). The increase was due to an overall higher level of activity since the 2018 amounts included only BioCan costs versus the amount recorded for general and administrative expenditures in

2019, which included all entities that resulted from the Arrangement (i.e. the Corporation, BioCan and Epimeron, collectively, the “**Combined Entities**”).

Research and Development Expenses

	Years ended	
	2019	**2018**
Consulting and technical services	$ 128,603	$ 100,655
Salaries, wages and benefits	2,245,404	229,218
DNA Sequencing, consumables and other	592,223	57,603
Research and development recoveries	(294,670)	(322,298)
Research and development expenses	$ 2,671,560	$ 65,178

In addition to costs associated directly with in-house research and development, research and development includes third party costs such as consulting and other technical services. Research and development recoveries include funding received from government programs such as Industrial Research Assistance Program (“**IRAP**”) and Scientific Research and Experimental Development Tax Credits (“**SRED**”).

During the year ended December 31, 2019, research and development expenditures totaled $2.7 million (2018 - $65,178). The increase was due to an overall higher level of activity since the 2018 amounts included only BioCan costs versus the 2019 number which includes amounts for the Combined Entities, which were more active in 2019.

As a result of the Corporation becoming a publicly listed company on April 12, 2019 pursuant to the Arrangement, the Corporation is no longer eligible for refundable SRED tax credits. Instead, SRED eligible costs will only be eligible as offsets to income taxes payable.

Stock-based Compensation

During the year ended December 31, 2019, the Corporation recognized stock-based compensation of $2.6 million (2018 - $0.6 million). The large increase in the current period relates to the stock options that were granted after the Private Placement. The expense recognized in a given period reflects the fair value of past and newly granted stock options outstanding during the period and is impacted by factors such as vesting and fluctuations in share price. Stock-based payments are a non-cash expense which does not impact operating cash flows.

Depreciation and Amortization

	Years ended	
	2019	**2018**
Depreciation on property plant and equipment	$ 1,429,161	$ 46,391
Depreciation on patents	264,734	-
Amortization on leases	474,272	-
Total depreciation and amortization	$ 2,168,167	$ 46,391

Depreciation, amortization and lease costs relate to depreciation on property, plant and equipment and patents as well as amortization of the right-of-use assets associated with leases.

In 2018, the entirety of lease costs were recorded in general and administrative costs. On January 1, 2019, the Corporation adopted the new IFRS standard – IFRS 16 – Leases. On adoption, non-current assets, and non-current liabilities on the Corporation's statement of financial position increased. Interest expense was recognized on the lease obligation and lease payments were applied against the lease obligation. This resulted in a decrease to general and administrative expenses and an increase to interest expense and amortization.

During the year ended December 31, 2019, depreciation and amortization totalled $2.2 million (2018 - $46,391).

Depreciation increased because the Corporation had more property, plant and equipment, patents and right-of-use assets than in the prior year.

Goodwill Impairment

On April 12, 2019, the Corporation acquired Epimeron by issuing shares in exchange for 100% of the outstanding shares of Epimeron. The transaction resulted in goodwill of $31.7 million. The goodwill was the residual of the purchase price of $36.4 million and the net assets acquired. The Corporation recorded an impairment of the full amount of the goodwill as the majority of the goodwill was a result of the significant increase in the share price of the Corporation from the time that the deal was announced until the time that the deal closed.

Goodwill impairment review is carried out at the level of a 'cash-generating unit', defined as the smallest identifiable group of assets, liabilities and associated goodwill that generates cash inflows that are largely independent of other cash flows from other assets or groups of assets. Since the Corporation does not have a cash generating unit yet the goodwill balance has been impaired.

Transaction Costs

During the year ended December 31, 2019, transaction costs totaled $1.9 million (2018 - $nil). The majority of these costs ($1.3 million) relate to the share listing expense as a result of the Arrangement.

Loss on Change in Fair Value of Warrant Liability

As part of the Private Placement which closed on April 12, 2019, the Corporation issued 24,169,722 Units. The Units were issued to the new management team, employees, directors and certain strategic investors as identified by the new management team. Each Performance Warrant issued under the Units entitles the holder to purchase one Common Share at a price of $0.875 for a period of 5 years, after certain vesting requirements. The Performance Warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "**Market Price**") equalling or exceeding $1.31, an additional one-third upon the Market Price equalling or exceeding $1.75 and a final one-third upon the Market Price equalling or exceeding $2.19. In addition, in the event the Market Price equals or exceeds $3.50, each Performance Warrant shall be exercisable for 1.5 Common Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Common Share per Performance Warrant (the "**Performance Incentive**"), the Common Shares are listed on the facilities of a recognized stock exchange (other than the CSE or the TSX Venture Exchange) or the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the CSE or the TSX Venture Exchange). As of December 31, 2019, the requirement of listing the Common Shares onto a senior stock exchange has been met.

Performance warrants are initially accounted for as a derivative liability and measured at fair value with subsequent changes in fair value at each reporting period accounted for through profit and loss. The

Performance Warrants satisfy the derivative liability classification on the date of issuance, as the number of Common Shares to be issued per Performance Warrant is dependent on market price conditions.

The Corporation valued the Performance Warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.60 - 1.80%; volatility of 82%; dividend yield of 0%; and approximate expected lives of 3.5-5 years, inclusive of the incremental Performance Incentive. At initial valuation, $13.4 million was recognized as warranty liability. On the exercise date, $3.4 million have been recognized in equity under common shares and warrants, as the Market Price vesting conditions have been met, and the remainder which has not yet vested has been recorded as warrant liability. At December 31, 2019, the Performance Warrants have been fair valued at $9.6 million.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2019, the Corporation had working capital of $18.9 million including cash and cash equivalents of $19.6 million.

As at December 31, 2019, the Corporation has no cash generating assets and is using cash in operations.

As a development stage company, the Corporation's primary capital requirements relate to funding research and development activities and for general working capital purposes. The Corporation's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants). The Corporation's primary objective when managing capital is to ensure it has sufficient funds available to carry out its research, development and commercialization programs based, in part, on continuous monitoring. In addition to issuing equity, the Corporation intends to finance at least a portion of its commercialization programs by finding partners, whereby the Corporation completes the majority of the early stage research and development and the partner completes the majority of the commercialization portion of the project.

On June 4, 2019, the Corporation entered into a JDA with Noramco, a leading manufacturer of cannabinoids. Under the JDA, Willow is responsible for optimizing yeast strains in a biosynthetic process that will generate ultra pure CBD at high yield and at substantially lower cost compared to current methods. Noramco will be responsible for scale-up, regulatory submission, marketing and distribution. The parties will cover their respective costs, retain the intellectual property associated with their respective scopes of work and, as allowed by existing agreements, share equally in gross profits from sales of CBD manufactured under the JDA.

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2019 total $9.2 million (2018 - $1.3 million) reflecting the non-cash working capital changes during the period and the significant amount of operating activity.

Cash Flows from Financing Activities

During the year ended December 31, 2019, the Corporation issued a total of $29.2 million of Common Shares and Units pursuant to the Private Placement and an additional $8.5 million of Common Shares pursuant to an exercise of Performance Warrants.

Cash Flows Used in Investing Activities

During the year ended December 31, 2019, additions to property, plant and equipment amounted to $6.7 million, the majority of which was spent on lab equipment.

CONTRACTUAL OBLIGATIONS

The table below summarizes Willow's contractual obligations related to operating leases for office and laboratory premises, as at December 31, 2019:

2020	$ 753,295
2021	337,351
2022	68,400
2023	39,620
Thereafter	-
	$ 1,198,666

Term-deposits include guaranteed investment certificates with a face value of $90,000 (December 31, 2018 - $nil) that are pledged as security for corporate credit cards.

From time to time, the Corporation may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Corporation does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 3 to the Financial Statements include a summary of the Corporation's significant accounting policies.

The preparation of financial statements requires management to use estimates and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions.

Significant estimates are used for, but not limited to, the measurement of the fair value of share-based payment transactions, warrant liability, impairment and taxes.

New Standards and Interpretations Adopted

IFRS 16 - Leases

Willow adopted IFRS 16 "Leases" on January 1, 2019 which required the Corporation to recognize lease assets and lease obligations on the statement of financial position. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases.

On adoption, non-current assets, current liabilities, and non-current liabilities on the Corporation's statement of financial position increased by $278,116. Interest expense was recognized on the lease obligation and lease payments was applied against the lease obligation. This resulted in a decrease to operating expense and general and administration expense and an increase to interest expense and fund flows from operations.

Off- Statement of Financial Position Arrangements

As of March 24, 2020, the Corporation has not entered into any off- statement of financial position arrangements.

SUMMARY OF QUARTERLY RESULTS

	December 31, 2019	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Revenue	$ -	$ -	$ 4,584	$ 3,061
Net loss	(3,096,886)	(1,099,321)	(39,843,782)	(526,601)
Net comprehensive loss	(3,274,859)	(1,103,073)	(39,833,002)	(526,601)
Net loss per share	$ (0.62)	$ (0.01)	$ (0.56)	$ (0.62)
	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
Revenue	$ 7,814	$ 9,099	$ -	$ -
Net loss	(150,151)	(282,482)	(767,642)	(444,289)
Net comprehensive loss	(150,151)	(282,482)	(767,642)	(444,289)
Net loss per share	$ (0.03)	$ 0.00	$ (0.01)	$ (0.02)

Prior to April 12, 2019, the comparative numbers include only the results of BioCan. From January 1, 2018 until June 30, 2018, BioCan consisted of a head office in Calgary and the use of a lab at the University of British Columbia ("**UBC**"). In the third quarter of 2018, BioCan research and development operations transitioned to the lab in Burnaby, British Columbia. After April 12, 2019, the results of operations include BioCan, Epimeron and Willow combined. From April 12, 2019 until July 2019, Epimeron research operations were primarily at the Peter Facchini lab at the University of Calgary. In the third quarter of 2019, most of the Epimeron employees became Willow employees and moved to Willow's Calgary lab; however, Willow continues to operate the Peter Facchini lab at the University of Calgary. In addition, during the second quarter of 2019, Willow opened its high-throughput lab in Mountain View, California.

OUTSTANDING EQUITY INSTRUMENTS

The Corporation is authorized to issue an unlimited number of voting common shares without nominal or par value.

As at December 31, 2019 and March 24, 2020, Willow has the following securities outstanding:

	As at March 24, 2020	**As at December 31, 2019**
Common shares	78,891,879	78,891,879
Warrants	716,248	2,138,872

Employee stock options	5,302,800	5,332,800
Performance warrants	14,971,388	15,555,469
Incentive performance warrants	12,095,389	12,095,389
Total	111,977,704	114,014,409

MANAGEMENT OF FINANCIAL RISKS

The Corporation is exposed through its operations to the following financial risks:

- Market risk
- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This section of the MD&A describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements. There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this section of the MD&A.

General Objectives, Policies and Processes

The Board of Directors of the Corporation (the "**Board**") has overall responsibility for the determination of the Corporation's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Corporation's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation's competitiveness and flexibility. Further details regarding these policies are set out below.

Disclosure Controls and Procedures

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and the CFO have evaluated the effectiveness of Willow's disclosure controls and procedures as at December 31, 2019 and have concluded that such disclosure controls and procedures are effective. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Internal Controls Over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the Corporation's internal controls over financial reporting during the period January 1, 2019 to December 31, 2019. The CEO and the CFO have evaluated the effectiveness of Willow's internal controls over financial reporting as at December 31, 2019 and have concluded that such internal controls over financial reporting are effective. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk and commodity price risk. The Corporation does not currently have significant commodity risk.

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows or fair value of the Corporation's financial instruments that are denominated in a currency that is not the Corporation's functional currency will fluctuate due to changes in foreign exchange rates. Portions of the Corporation's cash and cash equivalents, deposits and prepaid expense, accounts payable and accrued liabilities and lease liabilities are denominated in US dollars. Accordingly, the Corporation is exposed to fluctuations in the US and Canadian dollar exchange rates.

As at December 31, 2019, the Corporation had a net excess of US dollar denominated cash and cash equivalents and deposits and prepaid expenses in excess of US dollar denominated accounts payable and accrued liabilities and lease liabilities of US$39,078 which is equivalent to $51,059 at the December 31, 2019 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars.

Each change of 5% in the US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $2,553 based on the December 31, 2019 net US dollar assets position.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2019, the Corporation did not hold any floating rate investments.

As at December 31, 2019, the Corporation held short-term fixed rate guaranteed investment certificates, with terms of 6 to 12 months.

The Corporation's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks or credit unions with comparable credit ratings.

The Corporation regularly monitors compliance to its cash management policy.

The Corporation, as at December 31, 2019, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Corporation considers this risk to be immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Corporation consist primarily of cash and cash equivalents and short-term investments.

Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consists predominately of the IRAP, a government funded research grant, SRED tax refunds and GST receivable.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

The Corporation is not exposed to any externally imposed capital requirements.

Liquidity Risk and Capital Management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

As at December 31, 2019, the Corporation has cash and cash equivalents and term-deposits of $19.6 million, current liabilities of $1.8 million and a working capital surplus of $18.9 million.

Willow is in a development stage and is not currently generating any revenue and expects to operate at a loss as it conducts research and development on its biosynthesis pathways. The Corporation's primary capital requirements relate to funding research and development activities and for general working capital purposes. The Corporation's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants), and the Corporation will require additional financing in order to execute its business plan. Willow's ability to secure required financing will depend in part upon investor perception of its ability to create a successful business. Capital market conditions and other factors beyond the Corporation's control may also play important roles in its ability to raise capital. The Corporation can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to its management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that management feels the business requires, or unavailable on acceptable terms, Willow may be required to cease operating or modify its business plan in a manner that undermines its ability to achieve the Corporation's objectives.

The Corporation's primary objective when managing capital is to ensure it has sufficient funds available to carry out research, development and commercialization programs based, in part, on continuous monitoring.

RISKS AND UNCERTAINTIES

An investment in the Corporation involves significant risks and must be considered speculative due to the nature of the Corporation's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to Willow or that Willow believes to be immaterial may also adversely affect Willow's business. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Corporation and its business identified under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2019, dated March 24, 2020, a copy of which is available under the Corporation's SEDAR profile at www.sedar.com.

Risks Related to the Corporation's Business

The Corporation has a history of operating losses and may never achieve profitability in the future.

The Corporation is involved in research and development to identify and validate new therapies and drug targets that could become marketable. This process takes several years and requires significant financial resources without income. The Corporation expects these expenses to result in continuing operating losses in the foreseeable future.

The Corporation's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and patent new biosynthesis methods and to partner with larger, more established companies in the industry to successfully commercialize its processes. Successfully developing biosynthesized molecules into marketable products takes several years and significant financial resources and the Corporation cannot assure that it can achieve these objectives.

The Corporation will primarily be in a developing industry and will be subject to all associated regulatory risks.

The Corporation's business must be evaluated in light of the problems, delays, uncertainties and complications encountered in connection with establishing a cannabinoid-based biosynthesis business.

There is a possibility that none of the Corporation's discoveries under development in the future will be found to be safe and effective, that it will be unable to receive necessary regulatory approvals in order to commercialize them, or that it will obtain regulatory approvals that are too narrow to be commercially viable.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Corporation's business, financial condition and results of operations.

Scale up, marketing and commercialization processes will be expensive and time consuming, and their outcomes uncertain.

Before the Corporation can obtain regulatory approval for the commercial sale of any biosynthesized discoveries, it will be required to complete extensive scale-up, marketing and regulatory processes. Commercialization is expensive and can be difficult to achieve. Commercialization is also time-consuming and can often be subject to unexpected delays.

Protection of proprietary technology can be unpredictable and costly.

The Corporation's success will depend in part on its ability to develop patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others.

Interpretation and evaluation of patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

- patent applications will result in the issuance of patents;
- additional proprietary products developed will be patentable;
- patents issued will provide adequate protection or any competitive advantages;
- patents issued will not be successfully challenged by third parties;
- the patents issued do not infringe the patents or intellectual property of others; or
- that the Corporation will be able to obtain any extensions of the patent term.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Corporation. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Corporation. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Corporation may be able to obtain or result in the denial of patent applications altogether. Further, there may be uncertainty as to whether the Corporation may be able to successfully defend any challenge to its patent portfolio.

In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Corporation's technology and products. The Corporation may also decide to acquire or in-license certain pending or issued patents but cannot guarantee their approval and/or commercial viability.

Competition

The planned business to be carried out by the Corporation will be highly competitive and involve a high degree of risk. There can be no assurance that the licensing or other arrangements respecting the patent-pending cannabinoid-based pathway discovery platform sought to be obtained can be secured on favorable terms or otherwise, nor are there any assurances that sales or license revenues, if obtained, will be in sufficient quantities to make the business profitable. In its efforts to achieve its objectives, the Corporation will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

Uninsured or Uninsurable Risk

The Corporation may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on Willow's financial position.

Conflicts of Interest

The Corporation's directors and officers may currently be involved, or become involved, in other business ventures that compete with Willow's platform and services. Business opportunities for the Corporation may create circumstances in which outside interests of Willow's directors and officers' conflict with the interests of the Corporation. Directors and officers are required to act in good faith and in a manner that benefits the Corporation.

It is possible, however, that Willow's directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Corporation.

Dependence on Key Personnel

The Corporation depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Corporation's business. There can be no assurance that Willow will be able to attract or retain the quality of personnel required in the future.

Costs of Maintaining a Public Listing

As a result of being a publicly listed Corporation, the Corporation will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Corporation may also elect to devote greater resources than it otherwise would have on communication and other investor relations activities typically considered important by publicly traded companies.

Share Price Volatility and Speculative Nature of Share Ownership

The Common Shares are listed for trading on the TSX, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Corporation may significantly influence the price at which the Corporation's shares trade, and the volatility of its share price. Annual and quarterly operating results and material developments reported by the Corporation can, and likely will, influence the price of its shares.

Sentiment toward biotechnology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Common Shares. The Corporation's business is at an early stage of development and is not generating any revenue and the Corporation does not possess large cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed for the Common Shares.

ADDITIONAL INFORMATION

Additional information relating to Willow, can also be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Peter Seufer-Wasserthal
Chairman

Donald Archibald
Director

Sadiq Lalani
Director

Al Foreman
Director

Trevor Peters
Director

Dr. Fotis Kalantzis
Director

Sony Gill
Corporate Secretary

OFFICERS
Trevor Peters
President and Chief Executive Officer

Travis Doupe
Chief Financial Officer

Dr. Peter Facchini
Chief Scientific Officer

Chris Savile
Vice President, Commercial Operations

Mathias Schuetz
Vice President, Research and Development

Jillian Hagel
Vice President, Applied Science

Troy Talkkari
Vice President, Corporate Development

Jerry Ericsson
Vice President, Operations

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STOCK EXCHANGE LISTING
Toronto Stock Exchange
Common shares “WLLW”

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