WeedMD Inc.

Form 51 – 102 F1

Management Discussion & Analysis

Second Quarter Ended June 30, 2019

Effective Date – August 28, 2019

INTRODUCTION

The following Management Discussion & Analysis ("MD&A") of WeedMD Inc.'s (the "Company" or "WeedMD") financial condition and results of operations, prepared for the three and six months ended June 30, 2019 ("Q2 2019"), should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2019, and the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards and are incorporated by reference herein and form an integral part of this MD&A. All dollar amounts are in Canadian Dollars unless stated otherwise. These documents can be found under the Company's profile on the SEDAR website at www.sedar.com.

Our MD&A is intended to enable readers to gain an understanding of WeedMD's current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current year to those of the preceding comparable year. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

This MD&A, and the financial data within, is based on the Interim Financial Statements of the Company for Q2 2019 and were prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") unless otherwise stated.

The financial information in this MD&A contains certain financial performance measures that are not defined by and do not have any standardized meaning under IFRS; and are used by management to assess the financial and operational performance of the Company. These include, but are not limited to, the following:

Yield per plant (in grams); Plants per room; Target production capacity; Cost per gram; Dried equivalent flower; Adjusted gross margin (excluding fair value adjustments); and Adjusted EBITDA

The Company has no operations in the U.S. and does not engage in any unlawful U.S. marijuana-related activities.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements, which reflect management's expectations regarding the Company's results of operations, performance, growth, and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, regulatory matters, rising energy costs and technology changes. More detailed *assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Risk Factors" section of MD&A for the year ended December 31, 2018, and in the Annual Information Form dated June 21, 2019. These documents can be found under the Company's profile on the SEDAR website at www.sedar.com.*

BUSINESS OVERVIEW

weedmd Inc. (TSXV: WMD) (OTCQX:WDDMF) (FSE:4WE) ("WeedMD" or "the Company") is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer of cannabis products for both the medical and adult-use markets. The Company owns and operates two facilities: a 158-acre property that houses a 610,000 sq. ft. of state-of-the-art greenhouse and 27 acres of outdoor cultivation area, with further expansion potential, located in Strathroy, Ontario; and CX Industries ("CX"), a wholly-owned subsidiary of WeedMD Inc. operating out of the Company's fully-licensed 26,000 sq. ft. Aylmer, Ontario production facility which specializes in cannabis extraction and processing. WeedMD has a multi-channeled distribution strategy that includes selling directly to medical patients, strategic relationships across the seniors' market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies where WeedMD's adult-use brand Color Cannabis is sold.

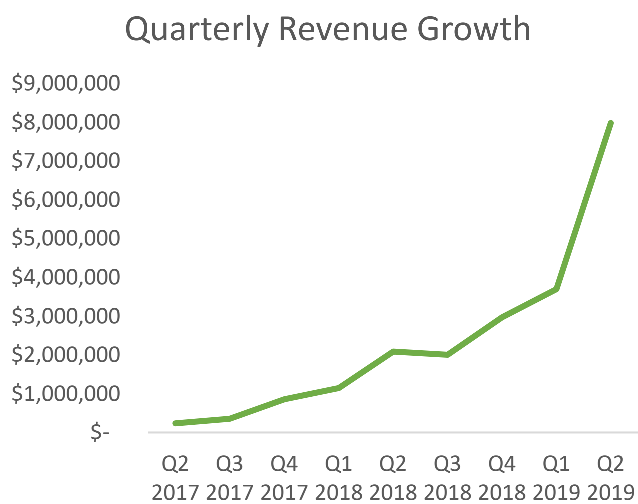
The condensed interim consolidated financial statements of WeedMD Inc. for the three and six months ended June 30, 2019, are comprised of WeedMD Inc. and its wholly-owned subsidiaries: WeedMD Capital Corp., 2686912 Ontario Limited, 2686913 Ontario Limited, and WeedMD Rx Inc. ("WeedMD Rx") along with its wholly-owned subsidiaries WeedMD Rx Ltd. and WMD Ventures Inc. WeedMD Rx Ltd. and WMD Ventures Inc. are currently dormant. The registered and head office of WeedMD is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

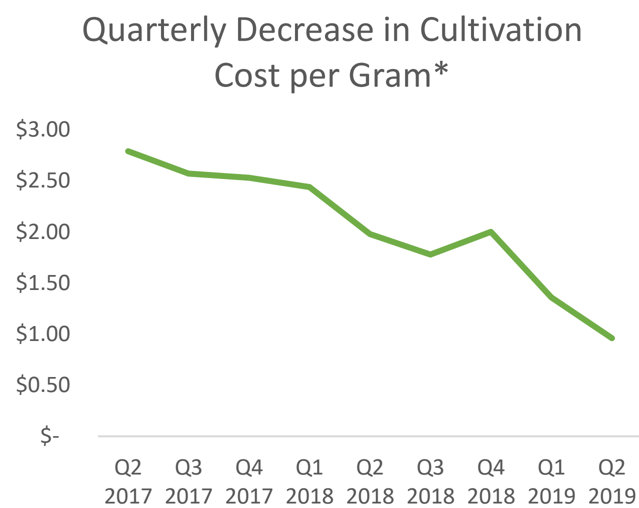
RECENT HIGHLIGHTS

- Net revenue for Q2 2019 was $7,979,747, representing an increase of $4,643,959 or 139% from the prior quarter.
- Q2 2019 gross profit before changes in fair value was $3,663,089, a 46% Gross Margin in Q2 compared to 15% in the prior quarter.
- The Company holds $29,470,737 of inventory and biological assets as of June 30, 2019, an increase of $15,615,988 or 113% from the prior quarter.
- On August 1st, WeedMD secured Health Canada's approval for an additional 20 cannabis cultivation and processing rooms. The amendment allows another ten 10,000 sq. ft. cultivation rooms to be utilized along with 10 more processing and drying rooms.
- On August 2nd, Pioneer Cannabis, an investee company of WeedMD, opened its doors to the public at 1200 Brant Street, Burlington, Ontario becoming its first operating franchise.
- On June 5th, the Company launched Color Cannabis, a dedicated premium adult-use brand exclusively available to distributors and select retailers across Canada.
- On May 31st, WeedMD secured the addition of an outdoor cultivation area to its standard cultivation licence from Health Canada to grow on 27-acres at its Strathroy facility. The Company completed the planting of more than 20,000 clones in June using over 30 strains from its genetic library with plans to harvest in the fall of 2019.
- On May 29th, the Company announced its plans to convert and optimize its Aylmer facility into a focused extraction and processing hub. WeedMD has since renamed this business CX Industries with plans to process over 200,000 kg of biomass annually and offer tolling and white labelling services to other Licensed Producers ("LP") and brands.
- On May 24th, Health Canada approved a licence amendment to allow an additional processing area, equipped with semi-automated packaging lines at its facility in Aylmer, Ontario.
- On April 12th, the Company secured a standard processing licence from Health Canada for its Strathroy facility, authorizing the sale and distribution of cannabis plants and seeds, the first phase in obtaining a licence authorizing the sale of other classes of cannabis products.
- On April 10th, the Company purchased the 60-acre property that is adjacent to its Strathroy property, which will allow the Company to increase its Phase 2 outdoor cultivation to 100 acres in 2020.

KEY FINANCIAL HIGHLIGHTS

WeedMD is on the cusp of recognizing significant economies of scale from a fully operational 12-acre greenhouse, 27-acres of outdoor cultivation and automated packaging. In the three months ended June 30, 2019, the Company has continued to demonstrate an increasing sales trend along with a trend of decreasing cultivation cost per gram.





* Cultivation cost per gram represents the cost of cultivation from clone to point of harvest

THE CANADIAN REGULATORY ENVIRONMENT FOR CANNABIS

In 2001, Canada implemented the Medical Marihuana Access Regulations (“MMAR”), a government-run program that provided access to medical cannabis. To replace the government supply and home-grown medical cannabis of the MMAR with highly secure and regulated commercial operations, Health Canada replaced this regulatory framework with the Marihuana for Medical Purposes Regulations (“MMPR”) in June of 2013. The MMPR allowed for the production and sale of dried cannabis flowers by commercial cultivators known as LPs. A court injunction in early 2013 preserved the MMAR for those who had been granted access prior to the injunction.

On July 8, 2015, Health Canada permitted LPs to apply for a supplemental licence to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis. In response to a federal court decision made on February 24, 2016, which related to the court injunction described above, on August 24, 2016, the Government of Canada introduced the Access to Cannabis for Medical Purposes Regulations (“ACMPR”) to replace the MMPR.

On April 13, 2017, the Canadian federal government introduced Bill C-45, known as the Cannabis Act, which is legislation providing for the legalization of adult-use, or recreational cannabis. Following three readings in the House of Commons, the bill was successfully approved, passing by a vote of 200-82, on November 27, 2017. Bill C-45 was then introduced in the Senate and given first reading on November 28, 2017. It was then adopted at second reading in the Senate on March 22, 2018 and was referred to the Committee Stage. The Committee’s report was adopted on May 30, 2018 and Bill C-45 as amended was adopted at third reading on June 7, 2018. On June 19, 2018 a motion was adopted to inform the House of Commons that the Senate would not insist on amendments with which the House of Commons had disagreed. Bill C-45 received Royal Ascent on June 21, 2018. The Cannabis Act came into force on October 17, 2018.

Regulations vary from province to province. The regulations include:

- Allowing outdoor cultivation
- Enabling a wide range of licences to support market diversity
- Reducing the regulations around industrial hemp
- Relaxing some security requirements
- Stringent standards for marketing, packaging and labelling
- Allowing for the production and sale of new product forms such as pre-rolled cannabis, vaporization cartridges, concentrates and edibles (in 2019)

FUTURE DERIVATIVES LEGISLATURE

The Cannabis Act states that it will authorize the legal sale by LPs, including WeedMD, of “edibles containing cannabis” and “cannabis concentrates” one year following legalization of the regulated adult-use cannabis market unless amended before October 17, 2019. In June of this year, amended Cannabis Regulations were published outlining changes to the Cannabis Act that will come into force October 17, 2019.

The new rules stipulate the addition of three new product classes: edibles, extracts and topicals. While initial drafts are taking place federally and provincially stipulating specific rules and which products will be allowed, more time will be needed to outline specific rules around concentrate and extract sales.

The Company expects provinces to begin selling derivative products December 17, 2019, as federal licence holders will need to obtain the necessary authorizations for new classes of cannabis and activities with such under their licence and provide 60-days prior notice to Health Canada of their intent to sell any new products. Such notice cannot be given until the new cannabis classes and products are legalized on October 17, 2019.

In the United States of America (“U.S.”), multiple legislative reforms related to Cannabis are currently being considered by the federal government. On December 20, 2018, the Farm Bill or the Agriculture and Nutrition Act, H.R. 2 legalized the cultivation of Hemp for CBD and other cannabinoid products, excluding the federal mandate of high THC products. Currently, the U.S. has no law allowing for the sale of cannabis federally, however, many states have independently set rules for which cannabis is governed at a state level.

INDUSTRY OUTLOOK

According to Health Canada, cannabis has been consumed by roughly half of the Canadian population old enough to report. Reported consumption of cannabis fell in Q2 according to the National Cannabis Survey, with 16% of Canadians reporting cannabis use versus 17.5% in Q1. Males remain twice as likely to use cannabis as females.

Smoking remains the most common method of consuming cannabis, with approximately two-thirds of male (68%) and female (62%) consumers choosing this method in the first half of 2019.

According to Statistics Canada (“StatsCan”), “in the second quarter, the average price of cannabis per gram fell to $7.87 from $8.03 in the first quarter (-2.0%). The decline was attributable to lower reported illegal prices (down from $6.23 per gram to $5.93), which offset the rise in legal prices (up from $10.21 per gram to $10.65).”

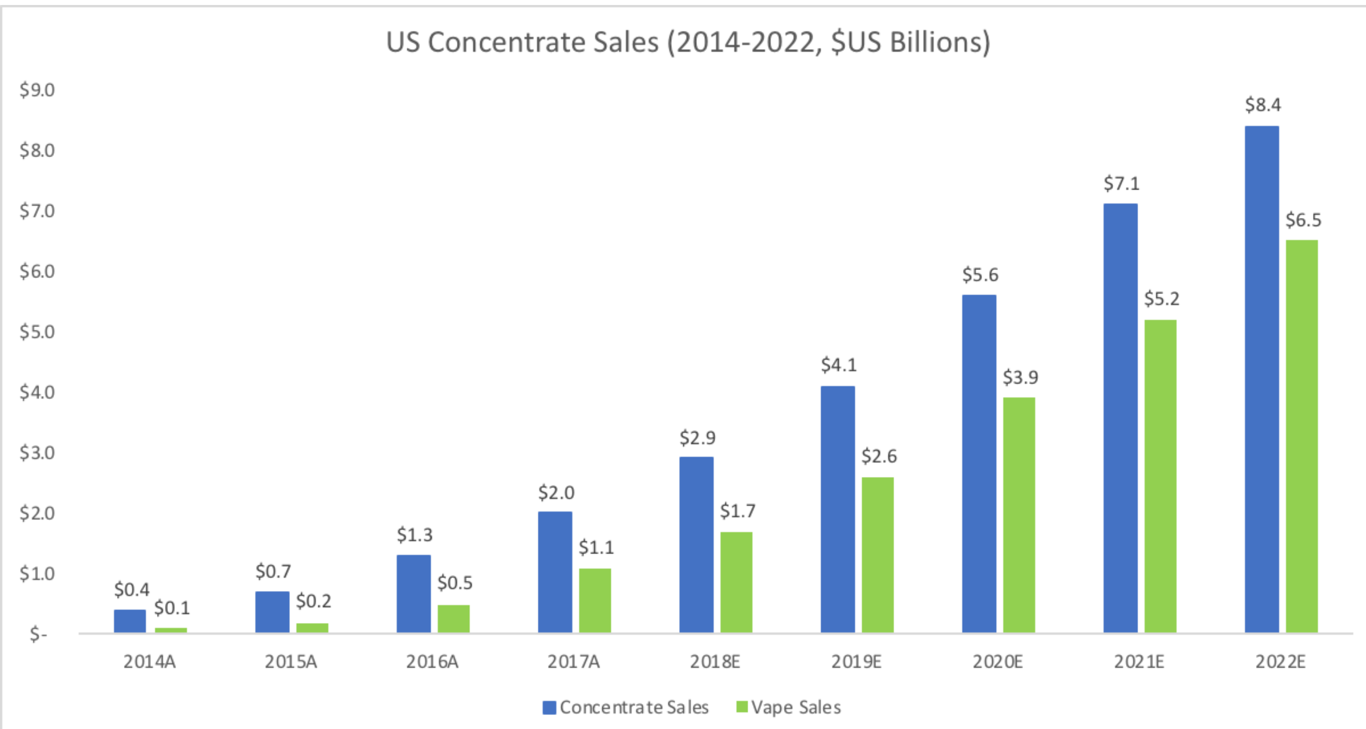
59% of respondents in a June 2019, StatsCan survey indicated that they purchased cannabis illegally, up from 55% in Q1 2019. In the crowdsourced Q2 survey from StatsCan, only 41% reported purchasing from the legal market, down 5% quarter over quarter suggesting a return to the black market due to price and the restricted access to cannabis in the recreational market.

Despite the increase in illegal sales, recreational demand continues to increase with almost all provinces recording peak monthly sales in May. In the month of May, a record $85M was spent at cannabis retail stores across Canada, a 15% month over month increase.

In a report authored by Bank of Montreal ("BMO"), dated March 14, 2019, BMO had theorized that "a shortage of high-quality dried flower for experienced and discerning users" was the result of larger LPs ramping production quickly but producing "sub-optimal cultivation and post-harvest processes that require less time but yield lower quality". In August, reports from other LPs suggested product returns in specific categories were occurring, further suggesting consumers are becoming increasingly aware of preferred products and consumption methods.

The regulations governing cannabis edibles and other derivative based products in Canada are expected to come into force on October 17, 2019 with new products becoming available for purchase no earlier than mid-December 2019.

According to BDS Analytics, the concentrate and vaping segment of the US cannabis market is expected to see the largest growth with expected vape sales to reach over $6.5B. In Canada, with legalization of derivative products approaching in December 2019, WeedMD anticipates the vaping category to be one of the fastest growth markets in Canadian cannabis consumption.

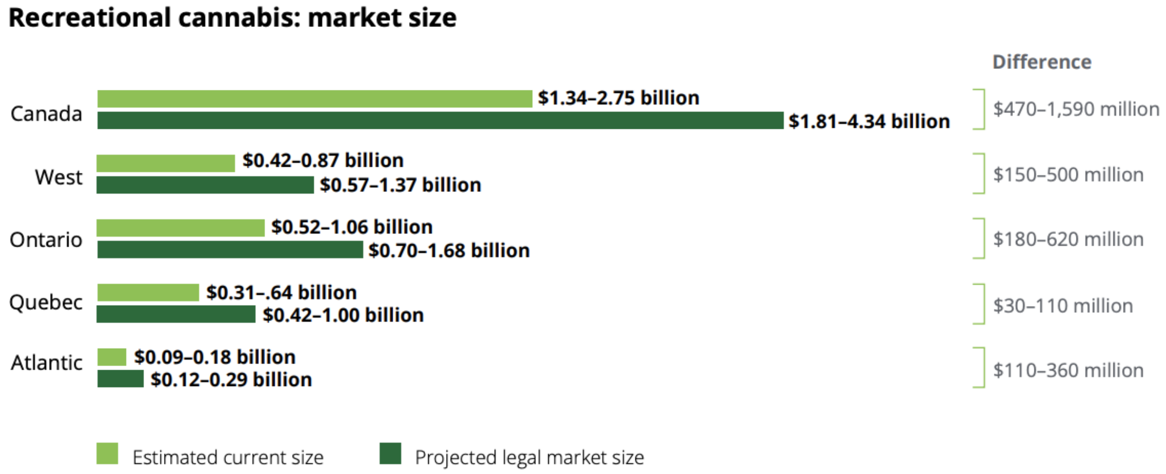


Source: BDS Analytics

Given the anticipated strong demand for vaping products, CX Industries plans to focus heavily on the vaping category with the majority of new product information submissions for provincial product calls to date being in the vape category versus other formats such as edibles and beverages. In a recent report co-authored by Ernst & Young and Lift & Co, vape pens, hash and keif scored the highest as products desired by regular and social consumers of cannabis

Consumption in the Canadian Market

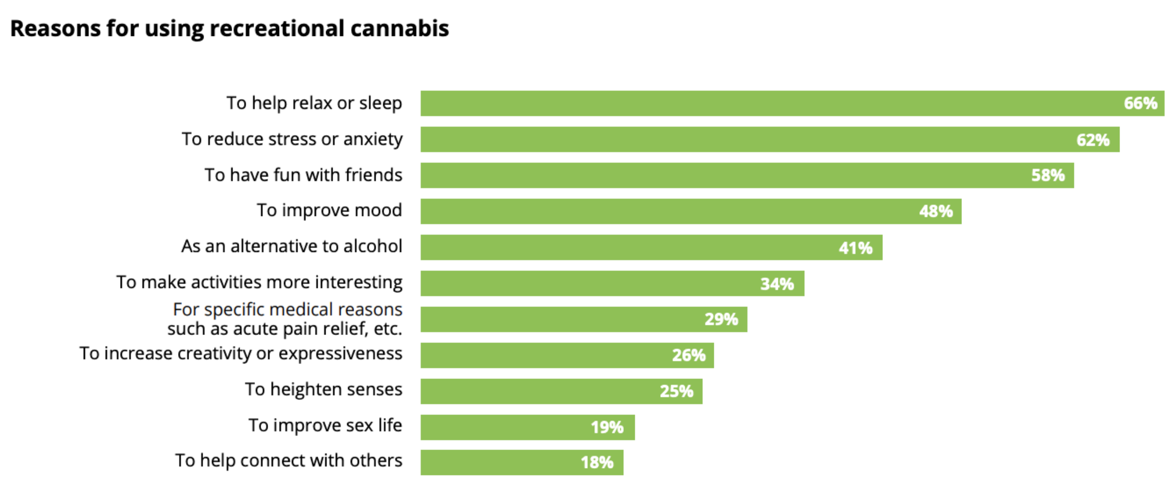
Deloitte's most recent projections for 2019 have estimated the value of the total Canadian cannabis market, including medical, illegal and legal adult-use products at $7.17B, of which $4.34B will come from the legal adult-use market.



Source: Deloitte analysis

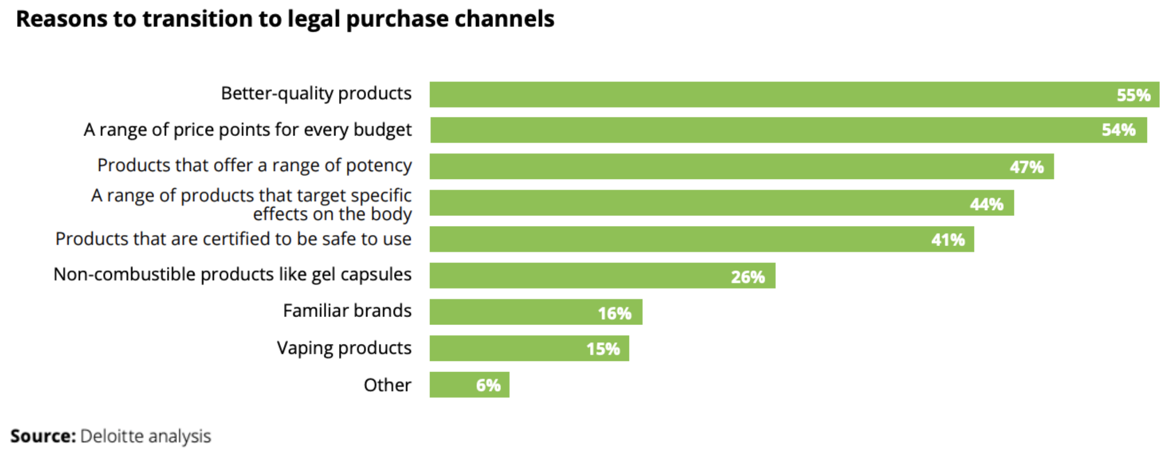
There is an anticipated gradual shift from the illegal market to the legal adult-use market, with 63% of existing cannabis users across Canada claiming that they will move their purchases to legal channels. In this same Deloitte analysis, Quebec consumers were the least likely to transition to the legal adult-use market (47%), followed by the Atlantic (55%), Ontario (65%) and the West (66%). Daily consumers of cannabis were less likely to transition to legal channels (37%), however less frequent users stated that they would transition to legal retailers (69%).

Adult-use cannabis consumption usage is being driven by a number of factors, with roughly two-thirds of adult-use consumers stating that they purchase Cannabis to relax, sleep, or reduce stress and anxiety. Women over-index in these categories, with 74% claiming that they use cannabis for relaxation and sleep in comparison with men at 59%. Additionally, consumers are claiming they use cannabis to improve social settings (58%).

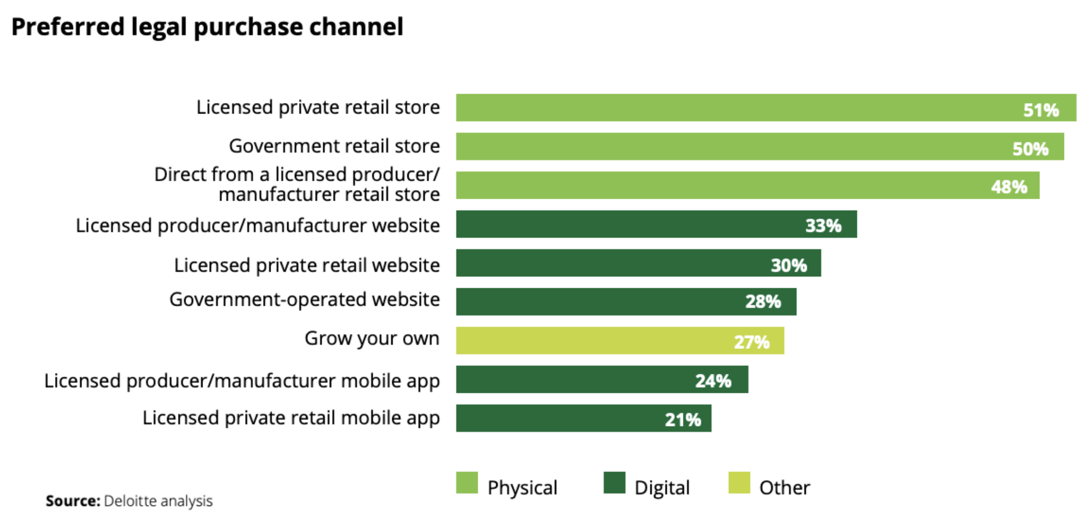


Source: Deloitte analysis

There are a variety of reasons driving consumer adoption to purchase legally in Canada. The primary reason for purchase through legal channels is quality (55%), followed closely by a variety of price points (54%) and potency ranges (47%). Quality assurance is also a key theme, with 41% of consumers believing that product certification would be a key driver in their legal-market purchase decision.



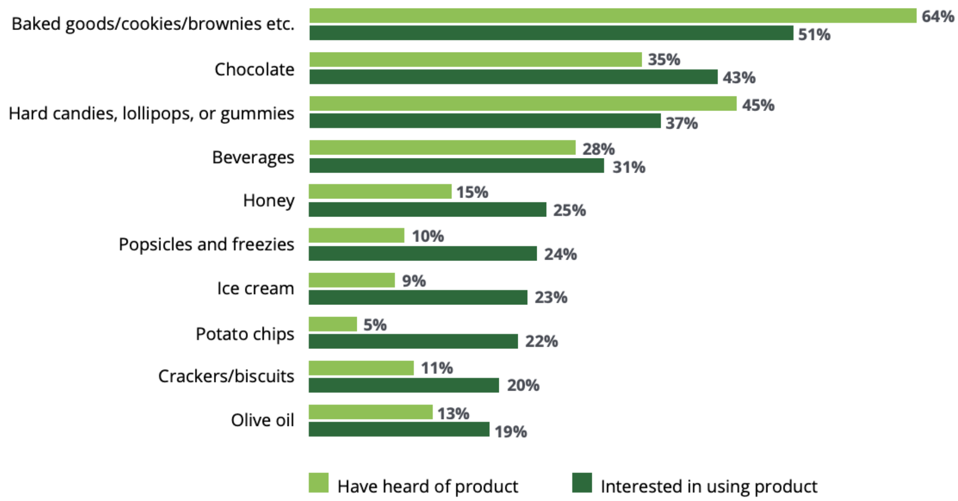
Canadian consumers have reported the highest interest in physical 'brick and mortar' private retail channels, with 51% of Canadians surveyed saying that a licensed private retail store would be their preference to purchase legal cannabis. This was followed directly by government retail stores (50%), and a direct channel from LPs or a manufacturer-owned retail store (48%). E-commerce channels were the second choice for consumers, followed by home-grow options and mobile applications.



New products and product innovation will be a key factor for LPs as the Canadian cannabis landscape continues to evolve. While edible products will not be offered until late 2019, producers are already preparing edible products for market. Over 50% of the Canadian cannabis users surveyed are interested in baked goods, followed closely by other confectionary items such as chocolate and hard candies. The cannabis beverage category will also be a key market, with 31% of those surveyed stating that they would be interested in using these products in the future.

Deloitte estimates that once new product formats are legalized on October 17, 2019, that a further $2.7B will be spent annually on things such as edibles/vapes ($1.6B), cannabis-infused beverages ($529M), topicals ($174M), concentrates ($140M), tinctures ($116M), and capsules ($114M). The global market for alternative cannabis products is expected to nearly double over the next five years, to US$194B.

Potential cannabis-based edible products

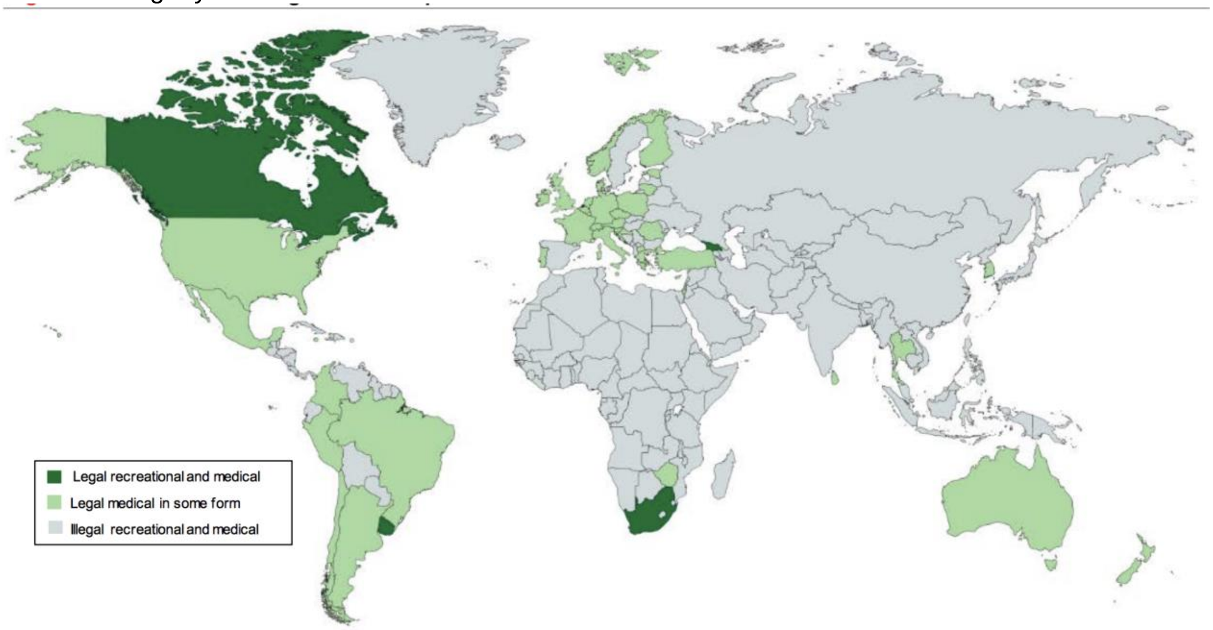


Source: Deloitte analysis

According to Desjardins & Health Canada, the number of registered medical patients using cannabis will reach 500,000 by 2020 (or a market size of ~C$2B). It is estimated that the number of users and grams used per occasion are the biggest growth drivers for the medical market and could be in excess of $3B.

According to a report by the United Nations, Canada and the United States have some of the highest rates of cannabis consumption prevalence in the world at 15% and 17%, respectively. In total, National Bank estimates Canadians will consume 750 tonnes of cannabis annually. Furthermore, the report suggests the Canadian cannabis user base "has room to grow to potentially 25% (from 16%) of its legal-age population for an additional ~2.5M users."

Currently, there are only four countries who have legalized the use of cannabis recreationally: Canada, Georgia, South Africa and Uruguay.



Source: Cannabis Business Times, Thrillist.com, UN, Government website, NBF

CORPORATE STRATEGY

WeedMD is a vertically integrated cannabis company focused on supplying medical and adult-use customers with top quality cannabis products. The Company is focused on the cultivation and extraction of cannabis containing high levels of THC and CBD. The Company is committed to using a disciplined capital approach to build an industry leading production and distribution platform.

The Company operates two cannabis facilities each with specific business objectives. WeedMD's cultivation facility is located in Strathroy, Ontario and contains both a hybrid greenhouse as well as outdoor cultivation operations. The Company is set to deliver steady production increases throughout 2019 and into 2020 and currently has 220,000 sq. ft. of licensed greenhouse production and 27 acres of licensed outdoor production. The Company expects to increase its cultivation footprint to over 500,000 sq. ft. of greenhouse and 100 acres of outdoor production in 2020. The Strathroy facility sits on 158 acres of land and includes more than 600,000 sq. ft. of greenhouse space as well as more than 100,000 sq. ft. of ancillary space.

As one of the first Canadian LPs to cultivate cannabis outdoors, the Company is positioned as a leader in the production of outdoor cannabis. The WeedMD cultivation team has designed its own proprietary strains of cannabis for Canadian outdoor production which gives the Company a strategic edge as the industry looks to reduce the domestic cost of cannabis.

The Company's second facility is located in Aylmer, Ontario and focuses on processing and the extraction of cannabis oil. This business, now known as CX Industries, will process cannabis biomass into concentrates and other derivative products.

The fully-licensed Aylmer facility is 26,000 sq. ft. and also operates as a packaging facility for the Company's finished cannabis goods. By 2020, the Company expects CX to transition into a pure processing facility with all R&D, white labelling, tolling and packaging of derivatives to be produced in Aylmer. WeedMD intends to co-pack and manufacture products for other LPs and brands at its Aylmer facility.

By focusing on low cost, high quality inputs and utilizing a vertically integrated model, WeedMD intends to be a leader in the production and sale of cannabis and cannabis derivative products both for its in-house and third-party brands.

NATURE OF BUSINESS

WeedMD is a federally licensed producer under the Cannabis Act allowing it to buy, sell, process, produce, ship and transport cannabis, cannabis plants and certain derivative products such as oils.

WeedMD currently operates more than 200,000 sq. ft. of cultivation space at its state-of-the-art hybrid greenhouse in Strathroy, with a further 300,000 sq. ft. in late stages of completion. The Company has also completed the first of two phases to grow outdoor cannabis on over 100 acres of cost-effective, workable outdoor land at its Strathroy facility. With the first 27 acres licensed in May, 2019, the Company is on pace to produce one of Canada's first legal outdoor cannabis harvests.

As WeedMD scales its cultivation operations, the Company recognizes the need to vertically integrate and expand on its ability to produce a larger array of products at scale for a growing cannabis consumer market. As such, the Company is currently retrofitting its fully-licensed 26,000 sq. ft. Aylmer facility to become one of the country's leading extraction and processing operations by 2020 under the name CX Industries.

Licences

WeedMD currently holds licences at two facilities owned by the Company in Aylmer and Strathroy. Between both of these locations, the Company holds standard cultivation, standard processing and sales for medical purposes licences to cultivate, produce sell and distribute cannabis and cannabis products, which are cannabis plants and cannabis plant seeds, dried cannabis, as well as cannabis oil.

On November 22, 2017, WeedMD announced a definitive lease and purchase agreement with Perfect Pick Farms Ltd. for a large-scale modern greenhouse in Strathroy ("Greenhouse Expansion").

On June 8, 2018, WeedMD secured its cultivation licence for the first 44,000 sq. ft. of space at the Strathroy facility and successfully commenced operations with the first harvests completed in early September 2018.

On November 9, 2018, WeedMD secured its licence under the Cannabis Act for both of its locations. The new licensing regime permitted the same activities as under the previous ACMPR regulations and additionally permitted the Strathroy facility to sell product in bulk to other LPs for distribution to the medical and adult-use markets.

On December 23, 2018, WeedMD secured its cultivation licence for the next six grow rooms, or 66,000 sq. ft. of cultivation space, in the Strathroy facility, bringing total licensed cultivation space to 110,000 sq. ft.

On April 12, 2019, the Strathroy facility was granted a Standard Processing Licence.

On May 31, 2019, WeedMD secured an outdoor cultivation licence from Health Canada to grow on 27-acres at its Strathroy facility.

Subsequent to the quarter end, on August 1, 2019, WeedMD secured Health Canada's approval for an additional 20 cannabis cultivation and processing rooms expanding its indoor cultivation space to over 220,000 sq. ft.

	Aylmer, ON	**Strathroy, ON**	**Total Footprint**
Licensed Status	Cultivate and sell flower; produce and sell oil	Cultivate and sell flower	All required licensing
Facility Type	Indoor	Greenhouse & Outdoor	Multi-modal
Lot Size	4 acres	158 acres	162 acres
Licensed & Operational	26,000 sq. ft.**	220,000 sq. ft.	246,000 sq. ft.
Operational Status	Operating	Cultivating	
Cultivation Space Utilized in 2019	26,000 sq. ft.**	Indoor – 220,000 sq. ft. Outdoor - 1.1M sq. ft. (27 acres)	1.4M sq. ft.
Development Potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5M sq. ft. (102 acres)	5.2M sq. ft.

* Pending regulatory approval, includes cultivation expansion for both greenhouse and outdoor grow

** Currently being retrofitted to house CX Industries' oil extraction facility

Strathroy Cultivation Expansion Schedule

Indoor	Production Type	Expected Construction Completion	Licence Issue (or expected) Date	Production Space (Sq. Ft.)	Measurement	# of Rooms	Licences
Phase 1	Hybrid GH	Complete	June 2018	44,000	Sq. Ft.	4	Cultivation, Sale
Phase 2	Hybrid GH	Complete	December 2018	66,000	Sq. Ft.	6	Cultivation, Sale
Phase 3	Hybrid GH	Complete	August 2019	110,000	Sq. Ft.	10	Cultivation, Sale
Phase 4	Standard GH	Q1 2020	Q2 2020	308,000	Sq. Ft.	2	Amendment to existing licence
Total Indoor/Greenhouse				**528,000**		**22**	
Outdoor		**Expected Construction Completion**	**Licence Issue (or expected) Date**	**Cultivation Space (Sq. Ft.)**	**Cultivation Space (Acres)**	**Cultivation Zones**	**Licences**
Phase 1	Outdoor	Complete	June 2019	1,100,000	27	1	Cultivation, Sale
Phase 2	Outdoor	Q2 2020	Q2 2020	3,200,000	73	3	Amendment to existing licence
Total Outdoor				**4,300,000**	**100**	**4**	
Consolidated				**4,828,000**	**112**		

Cultivation

As of June 30, 2019, the Company has secured cultivation licences for Phase 1, Phase 2, and as of August 1, 2019, Phase 3 of its Strathroy expansion, providing 220,000 sq. ft. of production space that includes 18 hybrid-greenhouse cultivation rooms.

In June, the Company completed the planting of its 27-acre Phase 1 outdoor grow. The first phase of the outdoor grow was licensed in May allowing the Company to plant over 20,000 clones.

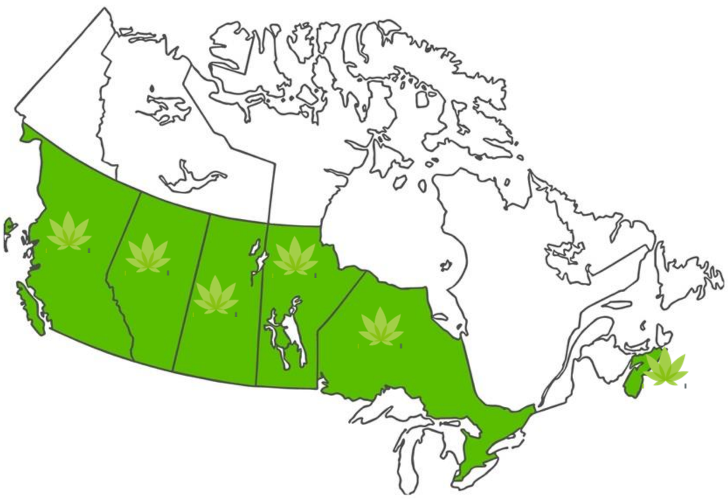
Since securing the licence amendment for its outdoor grow in June, the Company plans to licence the remaining 308,000 sq. ft. of greenhouse cultivation space, targeting the first half of 2020. Per Health Canada regulations, there is a limit on the number of licence applications and submissions that can be made by an LP at any given time. The Company deferred its Phase 3 application, which further delayed its plans for Phase 4 licensing.

Processing and Extraction

During Q1 2019, the Aylmer facility began its conversion into a cannabis extraction and processing centre of excellence.

In 2016, the Company began extracting cannabis oil using ethanol extraction on-site at Aylmer. With the decision to focus Aylmer on oil and concentrates, WeedMD has removed its ethanol machinery to make room for the progressive installation of four supercritical CO_2 extractors commencing in Q3 2019.

Distribution



As of June 30, 2019, WeedMD held distribution agreements with the following provinces and companies:

Ontario Cannabis Retail Corporation: Purchase agreement with province of Ontario to supply cannabis for adult-use market

Alberta Gaming and Liquor-Commission: Supply agreement with the province of Alberta to supply adult-use cannabis product

BC Liquor Distribution Branch: Supply agreement with the province of British Columbia to supply adult-use cannabis product

Nova Scotia Liquor Corporation: Purchase agreement with province of Nova Scotia to supply cannabis for adult-use market

Manitoba Liquor & Lotteries Corporation: Distribution agreement with province of Manitoba to supply cannabis for adult-use market

Saskatchewan Liquor & Gaming Authority: Authorization to supply cannabis directly to private retail and wholesale markets in the province of Saskatchewan

Shoppers Drug Mart: One of a few selected LPs to secure a supply agreement with Canada's largest retail pharmacy chain

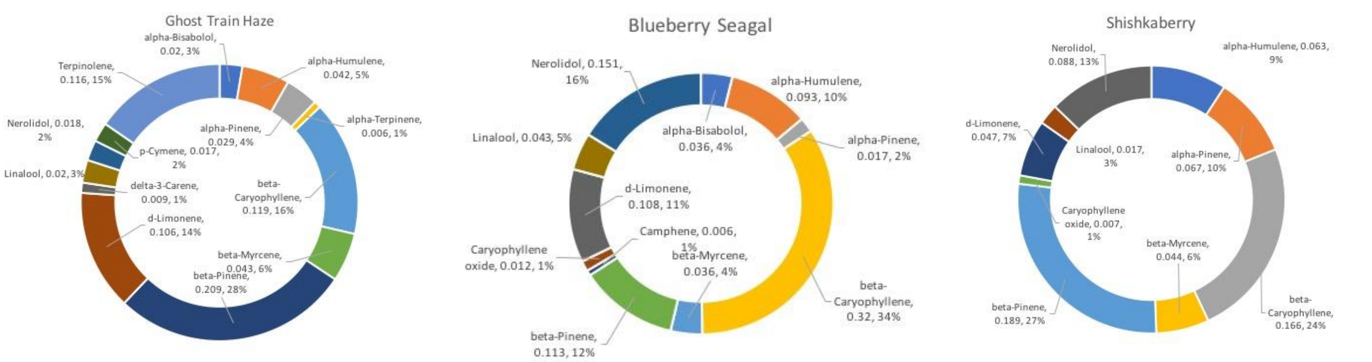
Under these agreements WeedMD is supplying its high-quality, branded cannabis for distribution across Canada in both the medical and adult-use markets. Upon federal legalization, the Company was positioned to be amongst the first companies receiving and delivering purchase orders and remains successful in providing a steady supply of cannabis to meet its provincial obligations.

In 2018, WeedMD signed a multi-year retail sales distribution agreement with Lifford Cannabis Solutions to represent WeedMD's brands and products for the adult-use retail markets in British Columbia and Alberta.

On June 20, 2018, the Company entered into an agreement to become a medical cannabis supplier to Shoppers Drug Mart ("Shoppers"). On September 25, 2018, Shoppers received a cannabis production licence from Health Canada, allowing it to launch its medical cannabis platform. WeedMD began shipments to Shoppers in early 2019. WeedMD products are currently available through this channel.

The Company also distributes its products directly to medical patients across the country.

WeedMD's Leading Genetics Library



WeedMD maintains a comprehensive catalogue of world-class genetics which the Company believes is monetizable through the sale, licensing and development of cannabis strains domestically and internationally. A total of 40 active cannabis strains from the Company's genetics bank are able to be cross-referenced as verifiable strains in the TruTrace Technologies ("TruTrace") database.

OPERATIONAL PERFORMANCE & OUTLOOK

Greenhouse Cultivation

During Q2 2019, WeedMD harvested 3,617 kgs of cannabis compared to 716 kgs in Q1, representing a 405% increase.

WeedMD was able to realize a 58% improvement in projected yields versus original design plans in Q2, averaging 396 kg per harvest in its 10,000 sq. ft. grow rooms. Yield per plant varied between 70 and 142 grams per plant over 12 harvests in Q2, with an average yield per plant of 118 grams.

On August 2, 2019 WeedMD was granted a licence amendment from Health Canada granting it permission to begin cultivating a further 110,000 sq. ft. at its Strathroy Greenhouse facility. WeedMD expects the first harvests from these additional ten 10,000 sq. ft. cultivation rooms to take place from late Q4 2019 through to Q1 2020.

WeedMD is now licensed to cultivate on 220,000 sq. ft. at its greenhouse with plans to bring a further 308,000 sq. ft. (Phase 4) online in the first half of 2020 upon receiving its Health Canada licence amendment approval.

With the Company prioritizing its grow outdoors in 2019, WeedMD made the decision to defer its expansion plans for the greenhouse. As a result, the expected date for Phase 4 licensing is the first half of 2020 which will increase the greenhouse production footprint to more than 500,000 sq. ft.

Outdoor

In June 2019, the Company completed planting more than 20,000 cannabis clones on its 27-acre Phase 1 outdoor grow. The first phase of the outdoor operation was licensed in May with all plants in the ground as of June 17, 2019. The majority of the outdoor project is comprised of WeedMD's core strains, with a small area dedicated to several other proprietary strains.

With Phase 1 now complete, the Company will prepare to harvest the outdoor production throughout October and November and produce both premium ("Grade A") outdoor cannabis while the remaining biomass will be sold as extract-grade cannabis for extraction or sent to WeedMD's Aylmer facility, known as CX Industries, for processing.

The purchase of the adjacent property on April 9, 2019 will allow the Phase 2 outdoor expansion to increase to a total of up to 100 acres of outdoor cultivation. The Company believes production costs for its outdoor grown cannabis will be significantly lower than that of indoor or greenhouse grown product.

By mid-June 2019, WeedMD had completed construction and planting of its licensed outdoor space. The project included:

- Completed fencing around perimeter of 27 acres
- Installed perimeter cameras
- Installed motion sensors throughout fencing perimeter
- Installed irrigation systems
- Planted over 20,000 clones onsite using over 30 of the Company's strains

Given the large quantity of biomass in Q4 2019 and to prepare for 2020, the Company is in the process of constructing extra drying, processing and storage capacity on its existing Strathroy property. When not in use for outdoor harvesting, this facility has the potential to be utilized by the Company as well as other LPs in need of short term drying, processing and storage solutions.

CX Industries

On May 29, 2019, the Company announced it would convert its fully-licensed 26,000 sq. ft. Aylmer, Ontario facility into a large-scale cannabis extraction and processing operation, subsequently naming the subsidiary CX Industries. The facility is being built to good practice quality guidelines and regulation ("GxP standards") and will operate four extraction lines with the ability to process over 200,000 kgs of biomass annually.

CX will offer formulation capabilities, white labelling and tolling agreements to WeedMD and other LPs and brands seeking to manufacture and distribute in Canada. Initially, CX Industries will be introducing a number of new cannabis vaping products in Q4 2019 across WeedMD, Color Cannabis and other internal and third-party brands.

Given the anticipated strong demand for vaping products, CX Industries plans to focus heavily on the vaping category introducing a number of new products under WeedMD or CX Industries owned brands, as well as third-party brands. CX Industries plans to supply input products such as crude resin, distillate and isolate in bulk to other LPs or brands looking to manufacture products outside of CX Industries.

Adult-Use Market

In early June, WeedMD launched its first adult-use focused brand, Color Cannabis, which was sold across the majority of provinces that have signed supply agreements with WeedMD. Product sold to the adult-use market increased by 194% from Q1 2019, representing an increase of 256% in net revenue.

Medical Market

WeedMD is deeply committed to its medical cannabis roots. Launched as a medical cannabis company in 2013, patients will always be at the core of WeedMD's value system. The Company is committed to the science behind the cannabis plant and the quality of life it returns to medical cannabis patients.

WeedMD's continued support of the medical market and dedication to improved access is demonstrated in its offer of free shipping on all orders over $99, its absorption of the government-imposed excise tax as well as offering both seniors discounts and compassionate pricing. The Company carries multiple unique WeedMD strains available for purchase on its medical website, including Pedro's Sweet Sativa, Blueberry Seagal, Cold Creek Kush, Ghost Train Haze, Green Kush, Mango Haze, Shishkaberry and White Shark.

Pioneer Cannabis

On January 10, 2019, WeedMD formed Pioneer Cannabis Corp ("Pioneer"), in partnership with Pita Pit Canada, a privately-owned Canadian fast casual franchise eatery with over 600 stores worldwide. The Company owns 9.9% with the option to own up to 50.1%.

Pioneer provides a platform for Canadians with an entrepreneurial spirit and the goal of owning and operating their own cannabis retail store. Pioneer will provide retailers with a variety of services including, but not limited to: identifying locations, providing assistance with licensing and security processes, point of sales and payment systems, marketing services, and training platforms that will include cannabis educational programs – each in accordance with the unique regulatory environment in each province and municipality.

On August 2, 2019, Pioneer along with an Ontario licence holder and operator, opened the first Pioneer store in Burlington, Ontario. Pioneer's business model involves offering franchise services for a fixed portion of top line sales by the store. In the case of the Burlington location, Pioneer collects 6% on all sales from this location.

Genetics

On January 15, 2019, the Company along with TruTrace Technologies (formerly BLOCKStrain) completed a 'first-of-its-kind' cannabis strain validation registration program – a testing and verification process that will confirm cannabis strains are as purchased.

On June 18, 2019, WeedMD became the first LP enrolled in TruTrace's and Shoppers Drug Mart's medical cannabis verification pilot project (the "Pilot Project") with Phase One of the Pilot Project being successfully completed on August 14, 2019. The program focuses on testing and verification to confirm the origin, authenticity and quality assurance of cannabis products.

Under the program, TruTrace's team collects plant data and performs genomic sequencing in plant batches which are then registered in a blockchain-enabled database for intellectual property protection and strain validation.

A total of 40 active cannabis strains from the Company's genetics bank are able to be cross-referenced as verifiable strains in the TruTrace database

Strain Development

WeedMD owns an extensive library of proprietary genetic strains of cannabis. These are currently represented in seed form, in profiling and development stage as well as in commercial cultivation. New strains continue to be developed and many have been made commercially available.

Q2 FINANCIAL RESULTS

Summary of Quarterly Results

	Q2-19	Q1-19	Q4-18	Q3-18
Net revenue	$ 7,979,747	$ 3,335,788	$ 2,722,337	$ 2,001,369
Income (loss) before other income and expenses	$ 12,973,812	$ (2,463,888)	$ (7,601,231)	$ (120,958)
Net comprehensive income (loss)	$ 12,624,640	$ (2,403,887)	$ (7,715,284)	$ 9,904,660
Income (loss) per Share - Basic	$ 0.11	$ (0.02)	$ (0.07)	$ 0.09

	Q2-18	Q1-18	Q4-17	Q3-17
Net revenue	$ 2,089,163	$ 1,142,341	$ 858,924	$ 356,479
Loss before other income and expenses	$ (1,691,678)	$ (1,578,161)	$ (5,117,475)	$ (566,565)
Net comprehensive loss	$ (1,763,007)	$ (1,321,497)	$ (3,438,170)	$ (557,807)
Loss per Share - Basic	$ (0.02)	$ (0.01)	$ (0.05)	$ (0.01)

Results of Operations

Three months ended	**30-Jun-19**	31-Mar-19	30-Jun-18
Net revenue	**$7,979,747**	$3,335,788	$2,089,163
Gross profit before fair value adjustments	**3,663,089**	489,094	1,470,293
Gross profit	**19,190,635**	3,312,250	2,015,327
Income (loss) and comprehensive income (loss)	**12,624,640**	(2,403,887)	(1,763,007)
Cash provided by (used in) operations	**6,630,366**	(7,188,505)	(1,703,757)
Basic income (loss) per share	**0.11**	(0.02)	(0.02)

As at	**30-Jun-19**	31-Mar-19	30-Jun-18
Total Assets	**$147,794,492**	$130,754,956	$73,766,029
Total Liabilities	**51,591,245**	48,953,307	6,949,209
Cash and cash equivalents	**11,349,687**	16,853,647	39,741,085
Working Capital	**38,322,049**	35,709,988	43,500,124

Revenues

WeedMD's revenues consist of the sale of dried cannabis, live cannabis plants, cannabis seeds and cannabis extracts sold either directly to medical patients ("Direct to Patient") or via our wholesale distribution channels to provincial buyers and federal license holders ("Wholesale"). The table below summarizes revenue by channel and product category, presented net of excise tax.

	Q2 2019	Q1 2019	Q2 2018
Direct to patient			
Dried cannabis	**$ 275,528**	$ 247,394	$ 319,032
Cannabis plants and seeds	**2,380**	6,199	24,060
Cannabis extracts	**102,684**	106,613	64,039
Other	**422**	496	13,371
	$ 381,014	$ 360,702	$ 420,502
Wholesale			
Provincial			
Dried cannabis	**$ 1,883,387**	$ 529,780	$ -
	$ 1,883,387	$ 529,780	**$ -**
Licence holders			
Dried cannabis	**$ 5,272,131**	$ 2,249,158	$ 615,257
Cannabis plants and seeds	**-**	-	966,350
Cannabis extracts	**437,325**	196,148	13,554
Other	**5,890**	-	73,500
	$ 5,715,346	$ 2,445,306	$ 1,668,661
	$ 7,598,733	$ 2,975,086	$ 1,668,661
	$ 7,979,747	$ 3,335,788	$ 2,089,163

WeedMD recorded net revenues, defined as gross revenue less excise taxes, of $7,979,747 in Q2 2019, representing a 139% increase over the three months ended March 31, 2019 ("Q1 2019") and 282% or $5,890,584 over the three months ended June 30, 2018 ("Q2 2018"). The increase from Q1 2019 to Q2 2019 is a result of increased sales to through all of the Company's distribution channels due to increased product availability derived from increased output from the Strathroy facility. The Strathroy facility harvested 3,562 kgs during Q2 2019, an increase of 788% from Q1 2019.

Q2 2019 WeedMD recorded net revenues to the provincial distribution channel of $1,883,387, a quarter over quarter increase of $1,353,607 or 256% (June 30, 2018 three months: nil). Q2 2019 revenue to Provincial distribution channel accounts for 24% of net revenues, an 8% increase from Q1 2019 where sales to provincial distribution channel represented 16% of net revenues. The increase to provincial distribution channel is a result of increased availability of quality cannabis and increased capacity to package dried cannabis into finished goods.

Q2 2019 WeedMD recorded net revenues to federal licence holders of $5,715,346 accounting for 72% of net revenues, down by 1% in comparison to Q1 2019, where sales to LPs represented 73% of net revenues.

With the decision in Q1 2019, to move forward with the Aylmer Optimization Plan (CX Industries), and while the Aylmer facility is under construction, during Q2 2019 the Company released a large amount of extract-grade cannabis to the LP market. This allowed the Company to conserve storage space for more premium (Grade A) products to be held in inventory and to continue to drive revenues upward as there is a high-demand for this product in the wholesale market.

For the six months ended June 30, 2019 ("Q2 2019 YTD") WeedMD recorded net revenues of $11,315,535 representing a 250% increase over the same period in fiscal 2018 (six months ended June 30, 2018 ("Q2 2018 YTD"): $3,231,504). The year to date increase is a function of increased sales to LPs and the distribution provincial channel for adult use market that was legalized in October 2018.

Grams sold	**Q2 2019**	Q1 2019	Q2 2018
Dried Cannabis			
Provincial	**411,957**	140,112	-
Licensed Producers	**1,525,410**	614,733	98,963
Direct to patient	**41,261**	38,158	36,180
	1,978,628	793,003	135,143

Total dried cannabis sold in Q2 2019 was 1,978,628 grams (Q1 2019: 793,003 grams) at a weighted average selling price, net of excise taxes, of $3.76 per gram (Q1 2019: $3.82). The decrease in weighted average selling price, net of excise taxes, was due to an increased amount of extract-grade cannabis sold to other LPs during the quarter, offset by an increase in selling price per gram in the provincial, adult-use and direct to patient distribution channels.

Average selling price broken down by distribution channel is represented in the chart below:

Average selling price		**Q2 2019**		Q1 2019		Q2 2018
Dried Cannabis						
Provincial	**$**	**4.57**	$	3.78	$	-
Federal licence holders	**$**	**3.46**	$	3.66	$	6.22
Direct to patient	**$**	**6.68**	$	6.48	$	8.82
Weighted average selling price	**$**	**3.76**	$	3.82	$	6.91

Both the provincial adult-use distribution channel and the direct to patient channel show a quarter over quarter increase of 21% and 3%, in price per gram respectively. The increase in the average selling price in the provincial adult-use channel is attributed to increased recognition for the quality of cannabis produced by the Company. The average selling price to federal licence holders is dependent on the mix of premium flower (Grade A) and extraction grade cannabis. In Q2 2019, WeedMD sold more extraction grade dried cannabis than in previous quarters. As mentioned above, the increase was a direct result of releasing extract grade cannabis while the Aylmer facility is under transformation into a focused extraction and processing hub (CX Industries).

Total dried cannabis sold for Q2 2019 YTD was 2,771,631 grams (Q2 2018 YTD: 188,529 grams) at an average selling price net of excise taxes of $3.77 per gram (Q2 2018 YTD: $6.82). The decrease in average selling price compared to the same period in 2018 is due to the implementation of the excise tax, which is being absorbed by the Company, lower price per gram in the wholesale adult-use market, as well as the Company selling a larger proportion of lower priced extract-grade product to federal licence holders.

Gross Profit Before Changes in Fair Value

Gross profit before changes in fair value represents the profit on products that were sold in the period, less the cost of those products sold, with the cost representing the actual costs in the period it was produced.

Gross Margin as a percentage of sales (“Gross Margin”) for the quarter was 46%, an improvement from 15% and (9%) in the quarters ending March 31, 2019 and December 31, 2018, respectively.

Gross Margin improved $3,173,995 or 649% over Q1 2019 and increased $2,192,796 or 149% over Q2 2018. The increase in gross profit before changes in fair value from Q1 2019 is mainly attributable to a decrease in cost per gram (as explained below) and a quarter-over-quarter increase in sales to the wholesale distribution channel (as explained above under Revenues). The increase in gross profit before changes in fair value from Q2 2018, is mainly attributable to a significant increase in sales and a decrease in the cost of sales.

The weighted average cost of sales per gram, inclusive of all costs, direct and indirect, to produce and package for Q2 2019 was $1.84, compared to $2.90 for Q1 2019 and $3.59 in Q2 2018. The quarter over quarter improvement was $1.06 per gram or 37%. The average cost per gram, from clone to harvest, sold throughout Q2 2019 ranged from $0.96 to $1.98. The harvests in the quarter achieved the lower cost of $0.96 per gram and demonstrates a significant improvement in the quarter of 30% compared to Q1 2019. This continued improvement is a result of increasing capacity and efficiency allowing the Company to achieve increased economies of scale, and is expected to continue as the Strathroy facility ramps up to full capacity.

As WeedMD continues to scale the remaining production capacity at its Strathroy facility, with additional greenhouse and outdoor coming online, the Company expects further improvements in Gross Margin as per gram costs continue to decrease. Initiatives including packaging automation and optimizing operations at each of its Aylmer and Strathroy sites are anticipated to have further benefits to WeedMD's Gross Margin.

Gross Profit

Gross profit is the actual cost of sales including adjustments in fair value for the products sold in the period and fair value adjustments for the biological assets in production.

Gross profit as a percent of sales increased $15,878,385 or 479% over Q1 2019 and increased $17,175,308 or 852% over Q2 2018.

The increase from Q1 2019 is attributable to:

- an increase in net revenue of $4,643,959 coupled with the aforementioned improvement in gross profit before changes in fair value, which resulted in an improvement of gross profit of $3,173,995 and;
- a net $15,527,546 benefit arising from:
  - A $18,976,077 unrealized gain on changes in fair value of biological assets resulting from the 56,975 plants (Q1 2019: 28,788 plants) in cultivation, estimated to be at 44% of their full potential as at June 30, 2019. This gain is the difference between the estimated selling price, less cost to sell, at the plants current state (44% complete) less the production costs incurred to date;
  - Offset by the $3,448,531 realized fair value amounts included in inventory sold

General and Administrative Expenses

General and administrative expenses increased by $770,518 to $4,391,739 in Q2 2019 from Q1 2019 but declined as a percentage of sales from 109% to 55%.

The notable increases in general and administrative expenses quarter over quarter were in Wages & Salaries of $467,057 and Office & Administrative of $377,134, offset by a decrease in Aylmer optimization of $323,044, as discussed further below.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	**2019**	2018
Wages & Salaries	**$1,484,050**	$ 622,876	**$2,501,043**	$1,090,663
Marketing & business development	**1,132,498**	503,898	**2,080,933**	749,268
Rent & occupancy	**247,856**	7,465	**488,584**	37,926
Insurance	**101,238**	75,640	**222,321**	90,522
Office & Administrative	**992,604**	1,232,954	**1,608,074**	1,840,078
Travel & accommodations	**170,363**	127,713	**369,962**	192,648
Professional fees	**202,024**	134,543	**296,787**	221,583
Aylmer optimization	**61,106**	-	**445,256**	-
Total general and administrative	**$4,391,739**	$2,705,089	**$8,012,960**	$4,222,688

General and administrative expenses increased by $1,686,650 from Q2 2018. The increase is mainly attributable to an increase in the operations footprint and an increase in headcount to support the increase in operations. Total sq. ft. of operations increased 94% and headcount increased 136%.

Wages and salaries

Wages and salaries increased by $467,057 to $1,484,050 in Q2 2019 from $1,016,993 Q1 2019. This is the result of an increased headcount to 172 employees at the end of Q2 2019 from 148 employees at the end of Q1 2019, of this 24 person increase were 8 people into general and administrative functions. In the three months ended June 30, 2019 the Company incurred $1,484,050 of wages and salaries expense (three months ended June 30, 2018: $622,876). The increase in wages and salaries expense is due to an increase in headcount required to successfully scale up the organization.

As at June 30, 2019, the Company employed a total of 172 people (June 30, 2018: 73 people), of which 20% (Q2 2018: 26%) were employed in support service departments reflected in general and administrative expenses, such as human resources, finance, information technology, customer service and sales & marketing. In the six months ended June 30, 2019, wages and salaries increased by $1,410,380 from the six months ended June 30, 2018.

Marketing and business development

Included in marketing and business development expenses are brand development, marketing campaigns, and conference costs. Marketing and related business development expenses increased from $948,435 in Q1 2019 to $1,132,498 in Q2 2019 as the Company continues to increase spend on brand development and the launch of Color in June 2019.

In three months ended June 30, 2019 the Company incurred $1,132,498 of marketing and business development expenses (three months ended June 30, 2018: $503,898). In the six months ended June 30, 2019, the Company incurred marketing and related business development expenses in the amount of $2,080,933 (six months ended June 30, 2018: $749,268).

Rent & occupancy costs

Rent and occupancy costs for Q2 2019 have remained consistent with Q1 2019, increasing by $7,128, as the Company has not experienced any significant changes in its general and administrative footprint.

In the three months ended June 30, 2019, the Company incurred $247,856 of rent and occupancy expenses (three months ended June 30, 2018: $7,465). The increase is mainly attributable to the costs incurred in the Strathroy facility that was not operational in the prior year. Rent and occupancy expenses for the six months ended June 30, 2019 increased by $450,658 from the six months ended June 30, 2018.

Office & administrative

Office and Administrative expenses include general office expenses, consultant fees, subscriptions and memberships as well as other overhead costs not directly related to production. Q2 2019 office and administrative expenses increased by $377,134, or 61% from $615,470 in Q1 2019 to $992,604 in Q2 2019. The increase is attributable to the growth in administrative headcount and less absorption of overhead in the Aylmer facility due to optimization (noted below).

In the six months ended June 30, 2019, the Company incurred office and administrative expenses in the amount of $1,608,074 a decrease of $232,004 from the six months ended June 30, 2018 of $1,840,078.

Aylmer optimization

During Q1 2019, the decision was made to optimize the Aylmer facility and convert it into a cannabis extraction and processing centre of excellence. The one-time costs incurred in relation to decommissioning of the facility totaled $445,256.

Share based compensation

Share based compensation contains the non-cash cost associated with the options granted to directors, officers, employees and consultants for services rendered. Share based compensation has decreased by $708,973, from $2,033,431 in Q1 2019 to $1,324,458 in Q2 2019 as a result of the number of options granted and the timing of option grant vesting conditions. Share based compensation increased by $648,800 from Q2 2018 to Q2 2019 as a result of both the number of options granted as well as the timing of vesting conditions.

Amortization

Total amortization expensed for Q2 2019 was $379,934 (Q2 2018: $16,742). Amortization has increased by $272,012 from Q1 2019 as a result of the Aylmer optimization reducing amortization absorption for the Aylmer facility combined with increased capital expenditures to support the continued Greenhouse expansion in the Strathroy facility.

For the six months ended June 30, 2019 total amortization recorded in amortization expense was $487,856 (six months ended June 30, 2018: $32,382). The increase is mainly attributable to the increase in production capacity resulting in increased property, plant and equipment. In addition, as a result of the Aylmer optimization, amortization has not been absorbed into the cost of biological assets or inventory.

Net adjusted operating income (loss)

Net adjusted operating income excludes realized fair value amounts included in inventory and the unrealized gain on changes in fair value of biological assets from income (loss) before other income. The Company believes the net adjusted operating income (loss) provides a better interpretation of the periods operating results. This adjustment was $15,527,546 for the three months ended June 30, 2019 and $18,350,702 for the six-month year to date.

Net adjusted operating income		**Q2 2019**		Q1 2019		Q2 2018
Income (loss) before other income	**$**	**12,973,812**	$	(2,463,888)	$	(1,691,678)
Realized fair value amounts included in inventory sold		**3,448,531**		607,632		782,657
Unrealized gain on changes in fair value of biological assets		**(18,976,077)**		(3,430,788)		(1,327,691)
	$	**(2,553,734)**	$	(5,287,044)	$	(2,236,712)

Net adjusted operating loss for Q2 2019 has improved to $2,553,734 from $5,287,044 in Q1 2019, and decreased from $2,236,712 in Q2 2018. The improvement in 2019 was the result of the improvement of gross profit before changes in fair value of $3,173,995 driven by increased sales and improved Gross Margin.

The decrease from Q2 2018 is the result of increases in operating costs required to successfully scale up the organization. The decrease is mainly attributable to an increase in general and administrative expenses of $1,686,650, share based compensation of $648,800, and an increase in amortization expense of $363,192, partially offset by the increase in gross profit before changes in fair value of $2,192,796.

Net adjusted operating income		**Six months ended June 30, 2019**		Six months ended June 30, 2018
Income (loss) before other income	**$**	**10,509,924**	$	(3,269,839)
Realized fair value amounts included in inventory sold		**4,056,163**		1,679,196
Unrealized gain on changes in fair value of biological assets		**(22,406,865)**		(2,131,334)
	$	**(7,840,778)**	$	(3,721,977)

Net adjusted operating loss for the six months ended June 30, 2019 decreased to $7,840,778 from $3,721,977 for the six months ended June 30, 2018. The decrease is the result of increases in general and administrative expenses, share based compensation and amortization expense of $3,790,272, $2,644,611 and $455,474 respectively.

Other income (expenses)

Other expenses have increased by $409,173 to $349,172 in Q2 2019 from income of $60,001 in Q1 2019 and by $277,843 to other expenses of $71,329 in Q2 2018. The increase is the direct result of the unrealized loss recorded in Q2 2019 on the investments held by the Company.

Other expenses have increased by $474,506 to $289,171 for the six months ended June 30, 2019 from income of $185,335 in the six months ended June 30, 2018. The increase is due to an unrealized loss on investments held by the Company as well as lower interest earned due to a comparatively lower cash and cash equivalent position.

Net income (loss) for the period
The Company reported a net income and comprehensive income of $12,624,640 for Q2 2019 (Q2 2018: net loss of $1,763,007). For the six months ended June 30, 2019, the Company reported a net income of $10,220,753 (six months ended June 30, 2018: net loss of $3,084,504). The three and six month improvement in net income and comprehensive income is a result of realized and unrealized fair value gains on inventory and biological assets, increased sales and improved Gross Margin.

Adjusted EBITDA
Adjusted EBITDA is not a recognized measurement under IFRS and this data may not be comparable to data presented by other companies. Management believes Adjusted EBITDA to be an important measure of the Company's day-to-day operations, by excluding interest, tax, and depreciation, stock-based compensation, fair value changes and other non-cash items, and non-recurring items. This measurement is useful in assessing the results of operating and strategic decisions.

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	**2019**	2018
Income (loss) and comprehensive income (loss)	**$ 12,624,640**	$ (1,763,007)	**$ 10,220,753**	$ (3,084,504)
Add (Deduct):				
Unrealized losses on investments	**415,000**	270,833	**399,333**	145,833
Finance costs	**120,692**	309,516	**134,256**	956,631
Amortization	**379,934**	16,742	**487,856**	32,382
Share based compensation	**1,324,458**	675,658	**3,357,889**	713,278
Realized fair value	**3,448,531**	782,657	**4,056,163**	1,679,196
Unrealized fair value	**(18,976,077)**	(1,327,691)	**(22,406,865)**	(2,131,334)
Adjusted EBITDA	**$ (662,822)**	$ (1,035,292)	**$ (3,750,615)**	$ (1,688,518)

Adjusted EBITDA loss for the quarter was $662,822, an improvement from $3,087,793 in Q1 2019 of $2,424,971. This improvement largely stems from the increase in gross profit before changes in fair value of $3,173,995, driven by the sales increase and improvement in Gross Margin, slightly offset by an increase in cash related general and administrative expenses of $770,518. Adjusted EBITDA loss for Q2 2019 increased by $372,470 from $1,035,292 in Q2 2018. This is largely the result of the increase in gross profit before changes in fair value of $2,192,796, partially offset by an increase in cash related general and administrative expenses of $1,686,650.

Adjusted EBITDA loss for the six-months ended June 30, 2019 was $3,750,615 a $2,062,097 decrease from same period in the comparative year. This decrease largely stems from the increase in general and administrative expenses of $3,790,272, partially offset by the improvement of gross profit before changes in fair value of $1,949,181 driven by the sales increase and improvement in Gross Margin.

Liquidity and Capital Resources

As at June 30, 2019, the Company had cash of $11,349,687 (December 31, 2018: $21,223,641). Total current assets were $53,670,129 (December 31, 2018: $40,815,324), including inventory and biological assets of $29,470,737 (December 31, 2018: $7,984,127), with current liabilities of $15,348,080 (December 31, 2018: $10,976,340) resulting in working capital of $38,322,049 (December 31, 2018: $29,838,984). The Company's current ratio at June 30, 2019 was 3.50 (December 31, 2018: 3.72). The Company's current assets increased as a result of the increases in inventory and biological assets, primarily driven by the increase in cultivation capacity at the Greenhouse Expansion as well as the outdoor grow.

If required, the Company plans to access further working capital through equity and/or debt financings to finance its growth plans.

Inventory

	June 30, 2019		March 31, 2019		December 31, 2018	
	Value	**Grams**	Value	Grams	Value	Grams
Dried cannabis	**$ 6,756,171**	**2,091,092 g**	$ 4,126,736	819,897 g	$ 3,168,767	747,971 g
Harvested work in progress	**1,040,406**	**397,780 g**	157,069	44,520 g	863,903	322,225 g
Extracts						
Resin	**2,964,738**	**56,430 g**	2,906,393	52,779 g	1,000,880	15,446 g
Crude oil	**599,055**	**64,210 g**	538,174	60,753 g	229,159	32,750 g
Finished oil	**736,369**	**729,421 g**	686,375	686,723 g	571,342	488,789 g
	4,300,162	**850,061 g**	4,130,942	800,255 g	1,801,381	536,985 g
Consumable inventory	**374,214**		298,322		-	
	$ 12,470,953		$ 8,713,069		$ 5,834,051	

Total inventory increased by $3,757,884 to $12,470,953 quarter over quarter, with the increase to dried cannabis inventory as follows:

- Harvested Finished Goods by $2,629,435 to $6,756,171
- Harvested Work in Progress by $883,337 to $1,040,406 and
- Cannabis extracts by $169,220 to $4,300,162

Property, plant and equipment

Total amortization for the six months ended June 30, 2019 was $1,073,332 (six months ended June 30, 2018: $208,036), of which $134,514 (six months ended June 30, 2018: $36,080) has been capitalized in inventory, $450,962 has been capitalized to biological assets (six months ended June 30, 2018: $139,574) and $487,856 (six months ended June 30, 2018: $32,382) is included in amortization expense.

Total amortization for the three months ended June 30, 2019 was $663,033 (three months ended June 30, 2018: $75,743), of which $73,090 (three months ended June 30, 2018: $13,323) has been capitalized in inventory, $210,009 has been capitalized to biological assets (three months ended June 30, 2018: $45,678) and $379,934 (three months ended June 30, 2018: $16,742) is included in amortization expense.

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

On March 29, 2019, the Company exercised its option to purchase the 98-acre Strathroy property. The property includes 610,000 sq. ft. of greenhouses and 100,000 sq. ft. of ancillary structures. The Company entered into a lease agreement with the option to purchase the property on November 21, 2017. As a deposit, the Company issued 3,000,000 shares and 3,000,000 warrants, of which were valued at $3,299,341 and $2,593,009 respectively, for a total valuation of $5,892,350. The balance due upon the exercise of the option to purchase was $22.6M, of which $17.6 million was paid in cash and $5 million was satisfied by the issuance of 2.5M units ("Units") in the capital of WeedMD. Cumulative spend on the Strathroy property to date is outlined in the table below:

Balance as at	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Improvements	**45,707,826**	40,319,298	35,034,986	23,017,921	15,481,688
Property purchase	**30,325,018**	29,106,016	-	-	-
Cumulative total	**76,032,844**	69,425,314	35,034,986	23,017,921	15,481,688

Loans and borrowings

Loans & Borrowings

On March 29, 2019, the Company entered into combined secured credit agreements totalling $39.1 million (collectively, "Credit Facilities"). The Credit Facilities are comprised of the following:

(i) Facility 1: $3,000,000 committed Revolving Credit Facility (the "Revolver");
(ii) Facility 2: $33,150,000 committed term loan;
(iii) Facility 3: $3,000,000 committed term loan.

The Credit Facilities mature March 29, 2022 ("Maturity Date") and bear an interest rate on a tier rate based on total funded debt to EBITDA. The Interest rate will range from approximately 1% to 2% above Canadian prime rate. Total borrowing costs for the Credit Facilities were $0.4 million. Under the terms of the Credit Facilities, the Company is also subject to certain customary financial and non-financial covenants and restrictions. In addition, the Credit Facilities are secured by a first priority lien on substantially all of the Company's personal and real property and assets. In addition, Facility 2 and 3 required $3.0 million of the proceeds to be held as a debt service reserve and will be released in eighteen months upon satisfactory review or when the Company's twelve-month trailing EBIDTA less cash taxes and unfunded capital expenditures exceed $10 million.

Facility 1 requires interest only payments with the balance due on the Maturity Date. The outstanding balance at any point shall not exceed the borrowing base. As at June 30, 2019, the Revolver has not been drawn.

Facility 2 requires interest only payments until June 30, 2020 or such later date agreed upon ("Conversion Date"), at which point the principal will become payable and will amortize over ten years with the remaining due upon the Maturity Date. As at June 30, 2019, the Company has drawn $33,150,000 from Facility 2.

Facility 3 requires interest only payments until the Conversion Date, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date. As at June 30, 2019, the Company has drawn $2,700,000 from Facility 3.

Under the Credit Facilities until the Conversion Date, the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date, the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1 (all ratios are as defined in the credit agreement).

The Company is also required to maintain $100,000 as security for the Company's corporate credit cards. Both the credit card security and the debt service reserve are recorded as restricted cash.

For the six months ended June 30, 2019, the Company was compliant with the applicable covenants.

Warrant and Stock Options Exercise

For the six months ended June 30, 2019, 225,000 broker compensation warrants were exercised for proceeds of $270,000. The Company recognized the fair value of the warrants of $104,590 in the value of the Shares issued.

During the six months ended June 30, 2019, 396,875 stock options were exercised (year ended December 31, 2018: 1,808,229) for net proceeds of $238,127 (year ended December 31, 2018: $1,187,323). Shares issued upon exercise of options had a weighted average fair value of $1.86 (year ended December 31, 2018: $1.85) at the time of exercise.

Stock Option Grants

On January 9, 2019, the Company granted 2,868,000 options to management, employees, directors and consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $1.53, until January 10, 2024. 640,000 of the options vest over the calendar quarters of 2019, 600,000 of the options vest over 24 months, 1,490,000 of the options vest over 36 months, 100,000 of the options vest upon completion of specified milestones to be determined by the Board of Directors and 38,000 of the options vest immediately. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 85%; (iii) risk-free interest rate of 1.91%; (iv) share price of $1.53; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $2,959,634. Total share-based compensation for the six months ended June 30, 2019 is $1,548,870.

On May 7, 2019, the Company granted 300,000 options to consultants of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $2.00, until April 15, 2022. The options vest over 12 months. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 80%; (iii) risk-free interest rate of 1.55%; (iv) share price of $1.74; (v) forfeiture rate of nil; and (vi) expected life of 35 months. The total fair value of the options is $254,053. Total share-based compensation for the six months ended June 30, 2019 is $100,171.

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

Contractual obligations
The lease commitment schedule is outlined in the below table:

Within 1 year	$	198,024
Within 2 years		190,250
Within 3 years		190,668
Within 4 years		193,668
Beyond 4 years		137,862
	$	910,472

Transactions with related parties
The Company's key management includes CEO, CFO, Chairman of the Board, and the Chairman of the Compensation Committee. Transactions with related parties include:

- Salaries and service fees; and
- Loans payable are not interest bearing and are due at demand

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing (except promissory notes), unsecured and with no fixed repayment terms.

The balances outstanding are as follows:

		June 30, 2019		December 31, 2018
Accounts payable and accrued liabilities	**$**	**59,898**	$	119,801
	$	**59,898**	$	119,801

For the three and six months ended June 30, 2019 and 2018, total remuneration/service fees paid, and interest paid to the key management is as follows:

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Share based compensation	**$ 245,717**	$ 359,995	**$ 618,896**	$ 359,995
Salaries	**127,549**	151,075	**254,119**	311,575
Fees	**112,976**	63,525	**229,292**	97,137
	$ 486,242	$ 574,595	**$ 1,102,307**	$ 768,707

During the six months ended June 30, 2019, 297,500 stock options (six months ended June 30, 2018: 1,700,000) were issued with fair value of $307,005 (six months ended June 30, 2018: $2,706,936) with a recorded share-based compensation of $208,867 (six months ended June 30, 2018: $359,995) to certain key management personnel.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments include those related to the ability of the Company to continue as a going concern, the determination of when property, plant and equipment are available for use as well as their useful lives, recoverability of taxes receivable, determination of functional currency, impairment of its financial and non-financial assets, and the determination of control and significant influence related to subsidiaries and investments. The most significant estimates and assumptions include those related to the requirement for and magnitude of an allowance for impairment of loans receivable, the inputs used in accounting for share-based payment transactions, and the fair value of financial instruments. Management has determined that judgments, estimates and assumptions reflected are reasonable as disclosed in Note 2(c) of the condensed interim consolidated financial statements.

Changes and New Accounting Standards and Interpretations

a) Revenue recognition

The revenue recognition policy previously disclosed has been updated to include the following:

Revenue is recognized when control of the goods has transferred to the purchaser and the collectability is reasonably assured. For sales to medical customers and licensed producers, control is transferred when goods are shipped or prior to shipment when it is demonstrated the customer obtains control of the product. For provincial customers control is transferred when goods have been delivered. The point at which control transfers is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue. Excise taxes are netted against gross revenue on the Statement of Loss and Comprehensive Loss.

b) New Standards Adopted in Current Year

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2018, except for:

IFRS 16, Leases ("IFRS 16"), was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. The Company also used the practical expedient to not recognize right-of-use assets and lease liabilities for leases, that have a remaining lease term of twelve months or less at date of adoption, as well as for leases of low value.

The Company recognizes a Right-of-Use asset and a lease liability at the lease commencement date. The Right-of-Use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by the lease payment made. The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for the previous period has not been restated.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 5.95%.

Operating lease commitment as December 31, 2018 as disclosed in the Consolidated Financial Statements	$	3,098,659
Discounted using the incremental borrowing rate at January 1, 2019		2,932,977
Recognition exemption for leases with less than 12 months of lease term at transition		(2,118,819)
Leases that have not commenced at January 1, 2019		(814,158)
Lease liabilities recognized at January 1, 2019	$	-

Future minimum lease payments as at June 30, 2019 are disclosed in Note 17 of the condensed interim consolidated financial statements. The Company has expensed $591,678 for leases with less than 12 months of lease term at transition for the period ended June 30, 2019.

For the three and six months ended June 30, 2019, the Company recognized $34,225, as depreciation on right of use assets. The Company also recognized $11,941 as interest cost on lease liabilities during the three and six months ended June 30, 2019. The Company had cash outflows of $46,166 related to lease liabilities. Right of use assets held by the Company are classified as buildings, with leases expiring in 2024. In the three and six months ended June 30, 2019, the Company recognized additions of $814,158 to right of use assets and corresponding lease liabilities.

IFRIC 23 'Uncertainty over income tax treatments' clarifies the application of recognition and measurement requirement in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. As the Company has no uncertain tax treatments and had no recognized tax assets or liabilities, the adoption of this policy had no impact on the financial statements for the three and six months ended June 30, 2019.

Disclosure of Outstanding Share Data

As of August 28, 2019, the following are outstanding:

Common Shares:	114,430,115
Warrants:	11,655,755
Stock and Broker Compensation Options:	9,971,390

Risk Factors

It is believed that there are numerous factors 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.

The Company has identified the following risk factors in addition to those disclosed in the MD&A and the Annual Information Form for the year ended December 31, 2018. Please refer to the Risk Factors in the MD&A (effective date April 30, 2019) and the Annual Information Form (dated June 21, 2019) for the year ended December 31, 2018 for a complete discussion.

Risks Inherent in an Agricultural Business

With the expansion of the outdoor cultivation space in Q2 2019, there are additional inherent risks in addition to risks identified with indoor production. Outdoor production is exposed to climate conditions and possible contamination beyond the Company’s control that could have a material advise effect on quantity and quality of cannabis produced.