WeedMD Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

September 30, 2020

INTRODUCTION

The following interim Management's Discussion & Analysis ("MD&A") discusses the financial condition and results of operations of WeedMD Inc. (the "Company" or "WeedMD") for the three and six months ended June 30, 2020 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes thereto as at and for the three and six months ended June 30, 2020, which have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting ("IAS 34") of the International Financial Reporting Standards ("IFRS"), as well as the Company's audited consolidated financial statements and related unaudited MD&A for the year ended December 31, 2019.

Except for per unit amounts and where otherwise noted, all amounts in this MD&A are reported in Canadian dollars.

Additional information relating to the Company, including its latest Annual Information Form, 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 the Company'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 period to those of the same period of the prior year and the preceding comparable period, where applicable. We also provide analysis and commentary that we believe is required to assess the Company's assumed future activities. 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.

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. These measures are used by management to assess the financial and operational performance of the Company. These include, but are not limited to, the following:

1. *Yield per plant: The expected number of grams ("g") of finished cannabis inventory, which is expected to be obtained from each cannabis plant, adjusted for expected wastage. The Company uses this metric as it allows for comparability of yield despite the number of plants harvested in the period, which fluctuates from period to period.*

2. *Cost per gram: Direct and indirect costs incurred to grow and produce cannabis as well as post-harvest costs (post-harvest production costs, packaging costs incurred to bring that product to a ready for sale state, divided by total grams of cannabis grown and produced in the period. The Company uses this metric as it allows for comparability of costs despite the number of plants grown and produced in the period, which fluctuates from period to period.*

3. *Net adjusted operating income (loss): Income (loss) before other income (loss) excluding realized fair value amounts included in inventory sold and the unrealized gain (loss) on changes in fair value of biological assets. The Company uses this metric as it believes that net adjusted operating income (loss) provides a better measure of the period's results.*

4. *Adjusted EBITDA: Income (loss) and comprehensive income (loss) excluding interest, tax, depreciation and amortization, stock-based compensation, fair value changes and other non-cash items, and non-recurring items. The Company uses this metric as it is an important measure of the Company's day-to-day operations.*

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

The information contained in this MD&A, including forward-looking statements, is based on information available to management as of September 30, 2020, except as otherwise noted.

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 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 from current expectations is contained in the "Risk Factors" section of this MD&A.

BUSINESS OVERVIEW

WeedMD Inc. (TSXV: WMD) (OTCQX:WDDMF) (FSE:4WE) is the publicly-traded parent company of WeedMD Rx Inc. and Starseed Holdings Inc. ("Starseed"), both, directly, or through its subsidiaries, are Canadian federally licensed producers ("LP") and distributors of cannabis products under the Cannabis Act. The Company is permitted to buy, sell, process, and produce cannabis, cannabis plants, and certain derivative products such as cannabis extracts for both the medical and adult-use markets.

The Company owns, leases, and operates three facilities:

- A 158-acre property in Strathroy, Ontario with up to 550,000 square feet ("sq. ft.") of greenhouse footprint and up to 100 acres of outdoor cultivation area ("Strathroy Facility").
- A 26,000 sq. ft. indoor facility in Aylmer, Ontario which specializes in cannabis extraction and processing ("Aylmer Facility").
- A 14,850 sq. ft. indoor facility in Bowmanville, Ontario that focuses on product research, processing, and fulfillment ("Bowmanville Facility").

Leading Cultivation Platform – Strathroy Facility

The Strathroy Facility is WeedMD's cannabis cultivation hub and currently operates 220,000 sq. ft. of licensed cultivation and processing space in the hybrid greenhouse, in addition to 27 acres of licensed outdoor cultivation area on the property. The greenhouse production footprint is expandable by an additional 335,000 sq. ft..

WeedMD's outdoor cultivation operation, licensed in May 2019, was one of Canada's first legal outdoor cannabis cultivation operations, and can be expanded to up to 100 acres from the current 27 acres on the same property. The Company will continue to monitor relevant market conditions and expand its operations when appropriate to do so.

On June 12, 2020, WeedMD commenced its second season of outdoor grow with over 16,000 plants slated for Fall harvest.

Outdoor Cultivation Highlights:

- Over 16,000 fully-rooted cannabis plants comprised from seven strains selected from mother plants shown to excel outdoors in southwestern Ontario.
- Planted in natural loamy soil on 27-acre field with an automated irrigation system installed, located directly adjacent to WeedMD's fully-licensed greenhouse.
- Utilized updated fertigation formulas prepared by award-winning fertigation supplier Emerald Harvest.
- Optimized planting methods for this second season, using precision agriculture methods which include crews of under 10 people and a high-performance mechanical planter.
- Planting completed in one-third of the time, with one-third of staffing compared to the 2019 seasson.
- A newly-built and fully operational 50,000 square foot, fully-licensed processing facility strictly for processing and storing outdoor-cultivated biomass.

Extraction and Processing Centre of Excellence – Aylmer Facility and CX Industries Inc.

In June 2019, WeedMD transitioned the Aylmer Facility into a state-of-the-art extraction and processing platform to take advantage of the increasing adoption of extracts-based products by cannabis consumers. The Aylmer Facility will be operated under the banner of CX Industries Inc. ("CX Industries" or "CX"), a newly established business unit focusing on the production of next-generation cannabis products (commonly referred to as Cannabis 2.0 products) and business-to-business ("B2B") sales. CX Industries is currently equipped to extract up to 50,000 kilograms ("kg") annually, of high-cannabinoid biomass.

CX Industries supplies and plans to supply input products such as crude resin, winterized resin, cannabis-derived terpenes, and distillate in bulk to other licensed producers or brand partners without adequate in-house extraction capabilities. In addition, CX Industries is expected to offer a wide range of services such as formulation, white labeling, tolling, and co-packing services to business customers seeking to manufacture and distribute cannabis products in Canada. CX Industries plans to introduce a number of new cannabis vaporization ("vape") products in 2020 across internal and third-party brands.

On June 22, 2020, the Company launched the sale of its first vape product, Aurum vape cartridges, which are filled with cannabis concentrates processed with terpene-rich biomass cultivated from the Company's indoor and outdoor harvests. The strain-specific product line launches with Ghost Train Haze, followed by Mango Haze and soon thereafter a high CBD-strain format. Coupled with WeedMD's low-cost outdoor biomass as extraction input materials, the Company believes CX Industries' operations will deliver improved margins over those of traditional cannabis products and provide meaningful growth for WeedMD as the market for Cannabis 2.0 products continues to develop.

Medical Fulfilment and Product Research – Bowmanville Facility

Through the acquisition of Starseed, WeedMD added 10,000 sq. ft. of licensed production area and 4,850 sq. ft. of office space at the Bowmanville Facility. The site has full extraction and processing capabilities, and currently houses Starseed's customer service, patient administration, and medical fulfillment functions. A Health Canada Cannabis Research Licence was granted to the Bowmanville Facility in February 2020, allowing for ongoing product development and evaluation to be conducted at the facility.

World Class Genetics

WeedMD maintains a comprehensive catalogue of world class genetics which 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.

Our Brands

Adult-use	Adult-use	Medical Direct-to-Patient (benefits coverage)	Medical Direct-to-Patient (traditional)

Adult-use

WeedMD launched Color Cannabis® in 2019 for the Canadian adult-use market. The brand currently specializes in the dried flower category with plans to expand into additional formats. During the six-month period ended June 30, 2020 (“Q2 2020”), unit sell through for Color Cannabis® products remained strong within the major markets in which the brand has listings.

In December 2019, the Saturday® brand was added to WeedMD’s portfolio via the Acquisition. The brand’s strategy has been centered around leveraging a pre-existing brand equity of relaxation, enjoyment, and freedom. The brand also leverages Starseed’s medical heritage, advocating the safe and responsible consumption of cannabis, segmenting its products into time-of-day usage categories according to cannabinoid content (Saturday Morning, Afternoon, and Night). To date, the Saturday® brand’s revenues have been predominately generated from the sale of pre-rolls, which complements WeedMD’s adult-use product portfolio and provides WeedMD with immediate access to the brand’s existing listings and markets in this category.

Medical Direct-to-Patient

The Company distributes its medical products directly to medical patients across the country under the Starseed and WeedMD brands. In the medical channel, Starseed has developed a unique platform that targets captive customer bases with paid benefits covering medical cannabis. Starseed formed an industry-first, exclusive partnership with Laborers' International Union of North America (“LiUNA”), along with exclusive or preferred partnerships with other employers and union groups, to provide medical cannabis to thousands of covered individuals while offering direct-reimbursement from benefits plans as a payment option. For its medical products, Starseed has developed the Starseed System™ that simplifies the dialogue surrounding strength and dosage by categorizing medical cannabis according to THC and CBD levels. This allows health care professionals and Starseed’s client service teams to communicate with patients and recommend products with greater effectiveness and ease.

In addition, the Health Care Practitioners at Northstar Wellness, an entity owned by Starseed, provides patients with customized treatment plans which take into account patients’ current medical history, assesses for any potential medication interaction, and provides an overall fulsome ongoing review that supports ongoing medicinal cannabis therapy. The service is available to patients via a telemedicine system and in-person visits through a network of clinics.

Licences and Agreements

WeedMD currently holds licences at its three facilities in Aylmer, Strathroy, and Bowmanville. On February 7, 2020, the Bowmanville Facility received a cannabis research licence from Heath Canada allowing for the testing of cannabis concentrates pertaining specifically to vape products in development testing.

Location	Aylmer, ON	Strathroy, ON	Bowmanville, ON
Facility type	Indoor	Indoor & Outdoor	Indoor
Licence type(s)	Standard Cultivation, Standard Processing, Sale for Medical Purposes	Standard Cultivation, Standard Processing	Standard Cultivation, Standard Processing, Sale for Medical Purposes, Research
Authorized activities under the licence(s)	Cultivation (indoor), Processing and Sale of Cannabis and Cannabis Products, Medical sale of Cannabis Product;	Cultivation (indoor, outdoor), Processing and Sale of Cannabis and Cannabis Products;	Cultivation (indoor), Processing and Sale of Cannabis and Cannabis Products, Medical sale of Cannabis Product;
Cannabis	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis;	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis, other cannabis (for R&D purposes)
Cannabis products *(Authorized for sale under the Cannabis licence(s) issued by Health Canada)*	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis;	cannabis plants; cannabis plant seeds;	cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis;
Main activities and specialization	Production of cannabis oil and cannabis extracts; Packaging, labelling, sale and distribution of cannabis products for non-medical and medical purposes	Cultivation and production of dried cannabis; Bulk sale and distribution of cannabis;	Production of cannabis oil and cannabis extracts; Packaging, labelling and sale of cannabis products for medical purposes
Total area size	4 acres	158 acres	14,850 sq. ft.
Currently licensed area	26,000 sq. ft.**	Indoor – 220,000 sq. ft. Outdoor - 1.1M sq. ft. (27 acres)	10,000 sq. ft.
Development potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5M sq. ft. (102 acres)	N/A

* Pending regulatory approval, includes cultivation expansion for both greenhouse and outdoor cultivation.
** Currently being retrofitted to house CX Industries' extraction facility.

As at June 30, 2020, WeedMD held adult-use distribution agreements in the following provinces:

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

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

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

Commercial arrangement with fire & flower to produce cannabis products

The Company has entered into a commercial arrangement, subsequent to the quarter, with leading Canadian retailer, Fire & Flower Inc. ("Fire & Flower") (TSX: FAF OTCQX: FFLWF). Fire & Flower is a leading purpose-built, independent adult-use cannabis retailer poised to capture significant Canadian market share. Under the partnership, WeedMD will manufacture, package and ship the retailer's Revity CBD™ product line, which was available at Fire & Flower stores in the province of Saskatchewan as of August 14, 2020. Products manufactured through this partnership will be produced at WeedMD's state-of-the-art extraction hub CX Industries, utilizing the Company's own input biomass.

Exclusive Licensing Agreement to Produce Mary's Medicinals Premium Line of Wellness Products

Subsequent to the quarter, the Company entered into an exclusive licensing, manufacturing and distribution agreement (the "Agreement") with premium, U.S.-based cannabis wellness house, MM Technology Holdings, LLC, owner of Mary's Brands, and the acclaimed product line, Mary's Medicinals ("Mary's Brands" or "Mary's"). Under the terms of the Agreement, as Mary's sole Canadian partner, WeedMD will manufacture a suite of Mary's Medicinals' products in-house with its own input biomass at its state-of-the-art extraction hub CX Industries later this year. The Company will also market, sell and distribute Mary's Medicinals' products across Canada's provincial adult-use and direct-to-consumer medical channels as it looks to expand new cannabis offerings to address underserved wellness and medical market segment. Widely recognized for its innovative portfolio of delivery methods, Mary's suite of cannabis products includes transdermal gels and patches and topicals.

WeedMD Partners with CannTx Life Sciences to Enhance Genetics Bank of New Cultivars and Preserve its Elite Proprietary Cannabis Strains

The Company entered into a partnership subsequent to the quarter, with Guelph-based CannTx Life Sciences Inc. ("CannTx"), to add new cultivars to its genetics bank and expand the lifecycle of the Company's prized cannabis cultivars using cutting-edge tissue culture techniques via Steadystem Solutions ("Steadystem"). Tissue culture is an innovative and widely recognized practice in agriculture used for preserving plant integrity, crop health and genetic accuracy. Under the Steadystem program, nodal segment cultures are collected from WeedMD's mother plants and regenerated using an in-vitro platform to re-produce historical cannabinoid and terpene profiles.

2020 INDUSTRY OUTLOOK

The Company sees the fundamentals of the Canadian cannabis industry strengthening as retail store build-out across Canada accelerates, in particular in Ontario, the largest provincial adult-use market, where the market to-date has been underserved by retail on a per-capita basis. Expanded retail presence will grow the addressable market and allow for greater consumer education which is expected to be beneficial in supporting the growth of Color in the market. However, the restrictions implemented in response to the COVID-19 pandemic may impact current retail store operations and growth initiatives across the country. However, Canada declared dispensaries as essential services, allowing sales to continue throughout the COVID-19 crisis.

The launch of new Cannabis 2.0 products will continue to expand the addressable market and appeal to a broader set of potential consumers in both the adult-use and medical channels. Overall, we anticipate that growth for the Canadian cannabis market and WeedMD will continue to improve in the second half of 2020 and beyond.

COVID-19 UPDATE

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. The ongoing outbreak of COVID-19 has caused significant disruptions to national and global markets, economies and consumer and patient behavior. Our businesses have been designated essential services in all the markets in which we operate. During this time, we have continued to conduct our operations to the fullest extent possible, while also responding to the outbreak with actions that include:

- modifying employee work schedules and implementing measures to continue protecting the health and safety of our employees;
- coordinating closely with our suppliers and customers to maintain ample product supply for our customers and patients and ensure that we meet the supply chain requirement;
- ensuring we have business continuity programs in place and meet the safety requirements and Health, Safety, Security and Environment (HSSE) standards during the period.

During the first quarter of 2020, the pandemic did not have a material impact on the Company's operations. As at March 31, 2020, we did not observe any material impairments of our assets or any significant changes in the fair value of assets due to the COVID-19 pandemic. During the second quarter of 2020, the Company has experienced a decline in sales relative to the first quarter of 2020 which, in part, can be attributed to the economic uncertainty caused by the COVID-19 pandemic. During the uncertainty around the outbreak's duration, and its broader impact,
The Company has continued to take steps to minimize the potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

For the remainder of 2020, COVID-19 may continue to have an impact on our expected and forecast sales growth. During this period, our priorities remain to provide a healthy and safe work environment for our employees; make our products available, as easily as possible, to our customers, closely monitor our internal and external supply chain, and ensure we maintain our business operation, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Based on the actions taken and the information available to us as of the date of this report, we will adapt our plans further as needed to continue to effectively manage our business during the evolving COVID-19 situation.

COVID-19 related judgments and estimates

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict, with reasonable precision, the impact that COVID-19 could have on our business, financial position, and ongoing operating results. As such, the estimates and assumptions that underly the Company's financial statements could change in the near term due to COVID-19. The effects of any such changes could be material and could result in, among other things, impairment of long-lived assets. As a result, significant judgments and estimates have been made in the qualitative and quantitative impairments and the going-concern assessments at June 30, 2020.

KEY FINANCIAL HIGHLIGHTS

For the three months ended	**June 30, 2020**	June 30, 2019	**$ or Weight Difference**	**% Change**
Kilograms harvested	**6,136**	3,617	2,519	70%
Average yield per plant (grams)	**103**	118	(15)	(13%)
Weighted average cost per gram from clone to harvest	**$ 0.55**	$ 0.96	$ (0.41)	(43%)
Weighted average cost per gram	**$ 2.52**	$ 1.84	$ 0.68	37%

Six months ended	**June 30, 2020**	June 30, 2019	**$ or Weight Difference**	**% Change**
Kilograms harvested	**9,522**	4,333	5,189	120%
Average yield per plant (grams)	**91**	63	28	45%
Weighted average cost per gram from clone to harvest	**$ 0.65**	$ 1.45	$ (0.80)	(55%)
Weighted average cost per gram	**$ 2.53**	$ 1.93	$ 0.60	31%

WeedMD harvested 6,136 kg of cannabis compared to 3,617 kg in the three months ended June 30, 2019. The increased harvest is due to the Company production facility being fully operational. Yield per plant averaged 103 grams per plant in Q2 2020 compared to 118 grams per plant in Q2 2019, with a weighted average cost per gram from clone to harvest of $0.55 in Q2 2020 compared to $0.96 in the comparable period in 2019. This is a direct result of the Company achieving economies of scale as it expanded its capacity. The weighted average cost per gram of packaged dried cannabis sold was $2.52 in Q2 2020 compared to $1.84 in Q2 2019. The weighted average cost increased as the result of higher production costs related to packaging and testing incurred in the quarter. Costs also increased due to COVID related challenges such as the reconfiguration of certain process to ensure a safe production environment. These challenges continue to be addressed and risks mitigated.

Given the addition of patients resulting from the acquisition of Starseed, the commissioning of CX Industries' supercritical CO_2 extractors in the fourth quarter of 2019 and the licensing of 18 greenhouse flowering rooms at the Strathroy Facility in the fourth quarter of 2019, the Company experienced a significant increase in sales for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. Please see "Q2 Financial Results" section for details.

Q2 FINANCIAL RESULTS

Summary of Quarterly Results and Results of Operations

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Net revenue	**$ 5,859,442**	$ 7,979,747	**$ 18,044,221**	$ 11,315,535
Cost of goods sold	**6,757,492**	4,316,658	**17,572,030**	7,163,352
Gross (loss) profit before changes in fair value	**(898,050)**	3,663,089	**472,191**	4,152,183
Realized FV amounts included in inventory sold	**6,718,872**	3,448,531	**8,322,017**	4,056,163
Unrealized gain on changes in fair value of biological assets	**(3,199,469)**	(18,976,077)	**(2,849,966)**	(22,406,865)
Gross (loss) profit	**(4,417,453)**	19,190,635	**(4,999,860)**	22,502,885
Income (loss) and comprehensive income (loss)	**(8,895,017)**	12,624,640	**(17,896,709)**	10,220,753
Adjusted EBITDA [1]	**(4,951,470)**	(728,650)	**(10,070,356)**	(3,860,777)
Cash provided by (used in) operations	**(7,517,872)**	6,630,366	**(23,838,048)**	(558,139)
Basic (loss) income per share	**$ (0.04)**	$ 0.11	**$ (0.09)**	$ 0.09

	June 30 , 2020	**December 31,2019**
	$	**$**
Total assets	203,719,657	209,798,741
Total liabilities	59,938,043	73,739,556
Cash and cash equivalent	5,666,520	8,183,744
Working capital	40,485,064	30,618,609

1 Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. For a reconciliation of Adjusted EBITDA to income (loss) and comprehensive income (loss), please refer to the "Adjusted EBITDA" section of this MD&A.

Revenue

WeedMD earns revenue from 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 licence holders (“Wholesale”). The table below summarizes revenue by channel and product category.

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
	$	**$**	**$**	**$**
Direct to patient				
Dried cannabis	2,353,806	326,819	6,269,368	623,271
Cannabis plants and seeds	-	2,935	-	11,427
Cannabis extracts	861,499	127,449	2,187,507	259,584
Others	15,960	422	25,170	918
	3,231,265	**457,625**	**8,482,045**	**895,200**
Wholesale				
Dried cannabis	3,811,526	7,667,759	12,039,754	10,651,172
Cannabis plants and seeds	-	-	-	-
Cannabis extracts	138,710	437,325	260,290	709,145
Others	-	5,890	-	5,890
	3,950,236	**8,110,974**	**12,300,044**	**11,366,207**
Revenue	**7,181,501**	**8,568,599**	**20,782,089**	**12,261,407**
Excise taxes	(1,322,059)	(588,852)	(2,737,868)	(945,872)
Net Revenue	**5,859,442**	**7,979,747**	**18,044,221**	**11,315,535**

WeedMD recorded net revenue, defined as gross revenue less excise taxes, of $5,859,442 and $18,044,221 for the three and six months ended June 30, 2020, respectively, representing a decrease of 27% or $2,120,305 and an increase of 59% and $6,728,686 for the three and six months ended June 30, 2019, respectively. The increases in 2020 year to date revenue, compared to the same periods in 2019, were mainly attributable to the full period contribution of results from the acquisition of Starseed in December 2019, growth in adult-use market, and a significant sale of dried cannabis to a licence holder during the beginning of 2020.

For the three and six months ended June 30, 2020, WeedMD recorded gross revenues from the direct to patient channel of $3,231,265 and $8,482,045, a year over year increase of $2,773,640 and $7,586,845 or 606% and 848%, respectively, compared to the same periods ended June 30, 2019. For Q2 2020, the direct to patient distribution channel was 45% of revenues, a 40% increase from Q2 2019. Wholesale to federal license holders decreased to $3,950,236 for the three months ended June 30, 2020, a year over year decrease of $4,160,738 or 51% compared to the six months ended June 30, 2019. The decrease in the wholesale distribution channel year over year is due to decreased volume due to the timing and availability of finished packaged product as a result of the completion and licensing of additional cultivation rooms in prior periods.

Total dried cannabis sold in Q2 2020 was 976,860 grams, compared to 1,978,628 grams sold in Q2 2019 at a weighted average selling price, net of excise taxes, of $4.96 per gram, compared to $3.76 per gram in Q2 2019. The increase in weighted average selling price, net of excise taxes, was due to due to a high proportion of Direct-to-patient sales in the quarter compared to same period in the previous year.

	For the three months ended		For the six months ended	
Grams sold	**June 30, 2020**	June 30, 2019	**June 30, 2020**	June 30, 2019
Dried Cannabis				
Provincial	698,859	411,957	1,436,139	552,391
License holders	18,636	1,525,410	4,021,576	2,140,143
Direct-to-patient	259,365	41,261	603,055	79,419
Total grams sold	**976,860**	**1,978,628**	**6,060,770**	**2,771,953**

Average selling price (net of excise taxes) broken down by distribution channel is as follows:

Average selling price (net of excise)				
		Q2 2020	Q1 2020	Q2 2019
Dried Cannabis				
Provincial	$	**4.17**	4.21	4.57
Licensed holders	$	**3.95**	1.25	3.46
Direct-to-patient	$	**7.15**	7.43	6.68
	$	**4.96**	2.37	3.76

The average selling price per gram increased by $1.20 or 32% for three months ended June 30, 2020, compared to the same periods ended June 30, 2019. The average selling price for the direct-to-patient distribution channel increased by $0.47 or 6% in Q2 2020 compared to Q2 2019.

Gross (loss) profit before changes in fair value

Gross (loss) profit before changes in fair value represents the revenue (net of excise taxes) on products that were sold in the period, less costs of goods sold. Gross loss before changes in fair value for the three months ended June 30, 2020 increased by $4,561,139 or 125% compared to the same period in 2019. Gross profit before changes in fair value for the six months ended June 30, 2020 decreased by $3,679,992 or 89% compared to the same periods in 2019.

Gross loss

Gross loss represents revenue (net of excise taxes) including adjustments in fair value for the products sold in the period and fair value adjustments for the biological assets in production. Gross loss for the three and six months ended June 30, 2020 increased by $23,608,088 and $27,502,745 or 123% and 122%, respectively, compared to the same periods ended June 30, 2019. The increase in gross loss is mainly attributable to the lower amounts recognized from unrealized gains on changes in fair value of biological assets and an impairment charge on inventory of $1,354,796 that was included in cost of sale during the quarter.

As WeedMD continues to pursue initiatives such as automation and optimization of operations and packaging at the Aylmer, Strathroy, and Bowmanville facilities, management expects such activities to have further positive impacts on the Company's weighted average cost per gram, and Gross margin.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $408,511 and $3,276,417 or 9% and 41% for the three and six months of 2020, respectively, compared to the same period in 2019. The increase in selling, general and administrative expenses, year over year, was primarily driven by the acquisition of Starseed in December 2019 and the overall company growth, resulting in increases in salaries and benefits, consulting fees and administrative expenses as discussed further below.

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

	For the three months ended		**For the six months ended**	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Salaries and benefits	3,707,167	1,484,050	7,118,866	2,501,043
Rent & occupancy	38,685	247,856	157,970	488,584
Office & Administrative	543,910	1,154,948	2,860,677	2,275,651
Professional fees	253,393	202,024	574,003	296,787
Travel & accomodations	19,578	170,363	156,020	369,962
Selling, marketing and promotion	237,804	1,132,498	422,128	2,080,933
Total	**4,800,537**	**4,391,739**	**11,289,664**	**8,012,960**

Salaries and benefits

Salaries and benefits increased by $2,223,117 and $4,617,823 or 150% and 185% to $3,707,167 and $7,118,866 during the three and six months ended June 30, 2020, respectively, compared to the same period in 2019. The main driver of this increase were the costs assumed resulting from the acquisition of Starseed, and the growth in headcount year over year in support the Company's planned growth in various departments such as human resources, finance, information technology, customer service and sales & marketing.

Rent and occupancy

Rent and occupancy decreased by $209,171 and $330,614 or 84% and 68% to $38,685 and $157,970 during the three and six months ended June 30, 2020, respectively, compared to the same periods of 2019. This mainly due to termination of one lease agreement in 2020.

Office and administrative

Office and Administrative expenses include general office expenses, subscriptions, consulting fees and memberships as well as other overhead costs not directly related to production. During the three months ended June 30, 2020, office and administrative expenses decreased by $611,038 or 53% to $543,910, compared to the same period in 2019. For the six months ended June 30, 2020, the balance increased by $585,026 or 26% to $2,860,677, compared to the same period in 2019. The increase mainly due to costs assumed from the acquisition of Starseed during 2020.

Professional fees

Professional fees increased by $51,369 and $277,216 or 25% and 93% to $253,393 and $574,003 during the three and six months ended June 30, 2020, respectively, compared to the same periods of 2019. This mainly due to increased in legal and audit fees.

Share based compensation

Share based compensation contains the non-cash cost associated with options granted to directors, officers, employees, and consultants for services rendered. Share based compensation decreased by $1,075,592 and $2,738,751 or 81% and 82% to $248,866 and $619,138 during the three and six months of 2020, respectively, The decrease is a direct result of the unvested options being cancelled or forfeited during the periods, and fewer numbers of options issued compared to the same period in the prior year.

Amortization

Total amortization expense for three and six months of 2020 was $391,473 and $611,356 compared to $379,934 and $487,856 for the same periods in 2019, respectively, representing an increase of $11,539 and $123,500 or 3% and 25%, respectively. The increase in amortization is a result of the addition of the property, plant and equipment from the acquisition of Starseed.

Adjusted EBITDA

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Income (loss) and comprehensive income (loss)	**(8,895,017)**	12,624,640	**(17,896,709)**	10,220,753
Add (Deduct)				
Realized fair value amounts included in inventory sold	**6,718,872**	3,448,531	**8,322,017**	4,056,163
Unrealized gain on changes in fair value of biological assets	**(3,199,469)**	(18,976,077)	**(2,849,966)**	(22,406,865)
Amortization	**391,473**	379,934	**611,356**	487,856
Finance costs	**1,224,172**	120,692	**2,548,323**	134,256
Share based compensation	**248,866**	1,324,458	**619,138**	3,357,889
Unrealized losses (gains on investments)	**1,638**	415,000	**30,790**	399,333
Realized loss on investment	**2,929**	-	**33,579**	-
Interest income	**(18,917)**	(65,828)	**(62,867)**	(110,162)
Other income	**(2,173,134)**	-	**(2,173,134)**	-
Adjusted EBITDA [1]	**(5,698,587)**	(728,650)	**(10,817,473)**	(3,860,777)

[1]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, depreciation and amortization, stock-based compensation, fair value changes and other non-cash items, and non-cash items, and non-recurring items.

Adjusted EBITDA loss was $5,698,587 and $10,817,473, for the three and six months ended June 30, 2020, respectively, representing an increase in loss of $4,969,937 or 682% for the three months ended June 30, 2020, and an increase of $6,956,696 or 180% for the six months ended June 30, 2020. The year over year increase is primarily a result of an impairment charge on inventory of $1,354,796 that was included in cost of sale during the quarter, substantial expenses incurred related to increased production initiatives, and selling, general and administrative expenses, prior to optimization initiatives underway in the second half of 2020.

Net loss for the period

The Company reported a net loss and comprehensive loss of $8,895,017 and $17,896,709 for three and six months ended June 30, 2020, representing an increase in loss of $21,519,657 and $28,117,462 compared to the same periods in 2019, respectively. The significant increase in net loss and comprehensive loss for the six months, is primarily a result of a significant decrease in change in unrealized fair value of biological asset during 2020 and an impairment charge on inventory, compared to the same period in 2019.

Net adjusted operating loss

Net adjusted operating income (loss) is not a recognized measurement under IFRS and therefore, this data may not be comparable to data presented by other companies. Net adjusted operating income (loss) is calculated as income (loss) before other income (loss) excluding realized fair value amounts included in inventory sold and the unrealized gain on changes in fair value of biological assets. The Company uses this metric as it believes that net adjusted operating income (loss) provides a better measure of the period's results.
Net adjusted operating loss for the three and six months ended June 30, 2020 increased by $5,009,364 and $6,755,512 or 196% and 86% from the same periods of 2019, respectively.

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(Loss) income before other income (expenses)	**(11,082,501)**	12,973,812	**(20,068,341)**	10,509,924
Realized fair value amounts included in inventory sold	**6,718,872**	3,448,531	**8,322,017**	4,056,163
Unrealized gain on changes in fair value of biological assets	**(3,199,469)**	(18,976,077)	**(2,849,966)**	(22,406,865)
Net adjusted operating loss	**(7,563,098)**	**(2,553,734)**	**(14,596,290)**	**(7,840,778)**

Selected Quarterly Information:

During the nine most recent quarters, the following items have had a significant impact on the Company's results:

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue, Net	5,859,442	12,184,779	2,850,334	6,654,311	7,979,747	3,335,788	2,722,337	2,001,369
Gross profit before change in fair value	(898,050)	1,370,241	(2,005,829)	1,902,485	3,663,089	489,094	(256,231)	1,287,040
Gain/(loss) and comprehensive gain/(loss)	(8,895,017)	(9,001,692)	(7,210,726)	(13,402,388)	12,624,640	(2,403,887)	(7,715,284)	9,904,660

Liquidity and Capital Resources

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Cash provided by (used in):				
Operating activities	**(7,517,872)**	6,630,366	**(23,838,048)**	(558,139)
Investing activities	**(260,342)**	(12,024,228)	**(1,655,912)**	(41,680,166)
Financing activities	**(737,770)**	35,377,001	**23,058,736**	35,377,001
Increase (decrease) in cash	**(8,515,984)**	29,983,139	**(2,435,224)**	(6,861,304)

Cash flow from operating activities

Cash used in operating activities was $7,517,872 and $23,838,048 during the three and six months of 2020, compared to cash received of $6,630,366 and cash used of $558,139 during the same periods of 2019, respectively. Higher spending was a result of increased operating activity during the periods compared to the same periods in 2019. Cash outflow from operating activities mainly driven by salaries and benefits relating to operations and support costs, consulting fees, and general and administrative expenses.

Cash flow from investing activities

Cash used in investing activities was $260,342 and $1,655,912 during the three and six months of 2020, compared to $12,024,228 and $41,680,166 during the same periods of 2019, respectfully. The significant decrease in cash used in investing activities was a direct result of the fact that the Company's production had been in full operation, which resulted in a lower level of investing during the periods ended June 30, 2020.

Cash flow from financing activities

Cash used in financing activities was $737,770 and cash generated from financing activities was $23,058,736 during the six months ended June 30, 2020. This was mainly due to the $25,000,000 financing subscription receipt from LiUNA Pension of Central and Eastern Canada during Q1 2020, slightly offset by payment of lease liabilities and interest payments.

As at June 30, 2020, the Company had cash and cash equivalents of $5,666,520 (December 31, 2019: $8,183,744). Total current assets were $55,720,932 (December 31, 2019: $59,766,676), including inventory and biological assets of $38,613,546 (December 31, 2019: $38,952,777), with current liabilities of $15,235,868 (December 31, 2019: $29,148,067) resulting in working capital of $40,485,064 (December 31, 2019: $30,618,609).

The Company's current ratio at June 30, 2020 was 3.66 (December 31, 2019: 2.1). The Company's current assets increased as a result of the movement in inventory and biological assets, primarily driven by the increase in cultivation capacity at the greenhouse expansion as well as the outdoor grow.

The Company plans to access further working capital through equity and/or debt financings to finance its growth plans.

Inventory

	June 30, 2020		December 31, 2019	
	$	**Grams**	$	Grams
Dried cannabis	**19,301,020**	**9,690,360**	18,032,160	12,583,351
Harvested work in progress	**2,438,679**	**1,847,670**	910,087	562,055
Extracts				
Resin	**7,148,076**	**316,633**	8,321,073	253,461
Crude oil	**168,186**	**25,200**	569,672	55,160
Finished oil	**4,529,456**	**2,346,961**	2,524,711	1,585,781
Total extracts	**11,845,718**	**2,688,794**	11,415,456	1,894,402
Non-cannabis inventory	**1,416,918**	**-**	929,198	-
	35,002,335		31,286,901	

Total inventory increased by $3,715,434 or 12% from December 31, 2019 to June 30, 2020. The increases to cannabis inventory are as follows:

- Harvested finished goods increased by $1,268,860 to $19,301,020.
- Harvested work in progress increased by $1,528,592 to $2,438,679.
- Cannabis extracts increased by $430,262 to $11,845,718.

Loans and 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.

For the six months ended June 30, 2020, the Company was compliant with the applicable covenants. On June 30, 2020, the company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the Conversion Date was amended from June 30, 2020 to June 30, 2021, resulting in a deferral of certain covenants by 12 months, and quarterly principal repayments have been rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company maintain liquidity coverage of not less than $2,000,000 commencing July 1, 2020. In addition, the Company has agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

As at August 10, 2020, a total of $2,000,000 had been drawn from the Facility 1.

Off-balance sheet arrangements

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

Contractual obligations

Contractual obligations as at June 30, 2020 are as follows:

Contractual obligation	Less than 1 year	2 years	3 years	4 years	5 years	Total
Lease obligations	$ 1,338,142	$ 1,739,479	$ 340,881	$ 205,563	$ 779,728	$ 4,403,793
Other obligations	$ 12,689	$ 11,975	$ 9,833	$ 9,038	$ 2,479	$ 46,014
Total	$ 1,350,831	$ 1,751,454	$ 350,714	$ 214,601	$ 782,207	$ 4,449,807

Transactions with related parties

The Company's key management includes the CEO, CFO, and all directors. Transactions with related parties include salaries and service fees.

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

The balances outstanding are as follows:

	June 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	**$ 142,113**	**$ 172,163**

For the six months ended June 30, 2020 and 2019, total remuneration and service fees paid to key management were as follows:

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Share based Compensation	**$ -**	$ 245,717	**$ -**	$ 618,896
Salaries	**$ 320,060**	$ 127,549	**$ 488,658**	$ 254,119
Bonuses	**$ -**	$ 112,976	**$ 110,000**	$ 229,292
	$ 320,060	$ 486,242	**$ 598,658**	$ 1,102,307

During the six months ended June 30, 2020, $Nil stock options (six months ended June 30, 2019: 297,500) were issued with a fair value of $Nil (six months ended June 30, 2019: $307,005) with a recorded share-based compensation of $nil (six months ended June 30, 2019: $208,867) to certain key management personnel.

Deferred share units

The Company has authorized the grant of an aggregate of 356,434 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first and second quarter of 2020

Disclosure of Outstanding Share Data

As of September 30, 2020, the following were outstanding:

Common shares	210,261,715
Warrants	12,805,499
Stock and broker compensation options	14,588,780
	237,655,994

RISK FACTORS

There are various risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results, including without limitation. The following are the risk factors discussed in greater detail below.

• limited operating history;
• change of cannabis laws, regulations and guidelines;
• reliance on licences and authorizations;
• lack of long-term client commitments;
• COVID-19 pandemic;
• supply chain;
• client risks;
• history of net losses;
• difficulty to forecast;
• inability to sustain pricing and inventory models;
• environmental regulation and risks;
• insurance risks;
• unfavourable publicity or consumer perception;
• dependence on supply of cannabis and other key inputs;
• maintenance of effective quality control systems;
• retention and acquisition of skilled personnel;
• risks related to intellectual property;
• marketing constraints;
• shelf life of inventory;
• scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
• access to capital;
• estimates or judgments relating to critical accounting policies;

• tax risks;
• market for the Common Shares;
• investment in the cannabis sector;
• no history of payment of cash dividends;

Infectious Disease and Pandemic Risk

Infectious diseases and pandemics, such as the COVID-19 pandemic, and related government responses could have a material and adverse effect on our business, financial condition, and results of operations by adversely impacting our operations, supply chains, interactions with consumers and counterparties, and ability to meet consumer demand. The impact of infectious diseases and pandemics on our business will vary depending on the duration, severity, and scope of the outbreak and the actions taken by applicable governmental entities to address and mitigate the infectious disease or pandemic.

SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the board approved 2,469,500 stock options to employees at an exercise price of $0.40.

On July 20, 2020, the Company has authorized the grant of an aggregate of 2,688,314 deferred share units ("DSUs") to certain directors and officers of the Company. Of the DSUs granted 1,441,647 will vest immediately, 623,334 will vest on December 8, 2020, and 623,333 will vest on June 8, 2021.

On August 7, 2020, the Company has authorized the grant of an aggregate of 356,434 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first and second quarter of 2020.

On September 23, 2020, the Company announced that it had entered into a credit facility with the LiUNA Pension Fund of Central and Eastern Canada ("LPF"). Under the terms of the Credit Facility, LPF will provide WeedMD $30 million, maturing in August 2022 and bearing a 15% interest rate, with a payment-in-kind option at the Company's discretion. The financing was closed on September 30, 2020. This non-dilutive financing enhances our liquidity position and provides additional working capital to drive our adult-use brands and our medical service offerings to payor groups and patients, add distribution points, and expand our sales and marketing team. The investment by our cornerstone shareholder reiterates the support of WeedMD and alignment of our commercial vision, strategic commitment, and value of both our adult-use portfolio and medical business.