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WeedMD Inc.

Form 51 – 102 F1

Management Discussion & Analysis

Second Quarter Ended June 30, 2018

Effective Date – August 27, 2018

Notice to Reader

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 month period ended June 30, 2018, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and six month period ended June 30, 2018 and the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2017, 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.

Cautions Regarding Forward-Looking Statements

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 "Quantitative and Qualitative Disclosures of Market Risk" section of this MD&A.

Summary Description of WeedMD

WeedMD Inc. is a publicly listed company on the TSX Venture Exchange ("TSXV") that trades under the ticker symbol "WMD". The registered and head office of the Company is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

The condensed interim consolidated financial statements of WeedMD as at June 30, 2018 are comprised of WeedMD and its wholly-owned subsidiaries: WeedMD Rx Inc. ("WeedMD Rx"), WeedMD Rx Ltd., WMD Ventures Inc. and WeedMD Capital Corp. (collectively, "WeedMD" or the "Company"). WeedMD Rx Ltd. and WMD Ventures Inc. are currently dormant.

On April 22, 2016, WeedMD Rx was licensed to produce cannabis under the federal Access to Cannabis for Medical Purposes Regulations ("ACMPR"). After securing this license, the Company commenced operations and successfully ramped up production, with its first plants being harvested in October of 2016. WeedMD then satisfied its regulator, Health Canada, that its growing processes resulted in finished product that met the strict quality control standards and the Good Production Practices (“GPP”) set out in the ACMPR.

On April 28, 2017, the Company’s license was renewed for a one-year term and amended to add the activity of sale of dried cannabis and the sale of live cannabis plants. Under the amended license, the amount of cannabis that WeedMD is permitted to produce and store is limited only by the capacity of the vault that it has built at its facility. This capacity is based upon the security level of the vault, as per Health Canada standards. As the Company has a highly secure level 10 vault, this limit is $150 million. On June 16, 2017 the Company’s license was extended to April 24, 2020.

On June 16, 2017 WeedMD also received a further amendment to its license allowing for the production of cannabis oil. After this event, the Company successfully produced, packaged and tested several batches of oil. On October 5, 2017, Health Canada performed an inspection related to WeedMD’s application for the license amendment to allow for the sale of cannabis oil and was granted a license to sell cannabis oil on December 1, 2017. Pursuant to the ACMPR, WeedMD now has licenses to produce and sell both dried medical cannabis and oil, as well as starting materials for those patients choosing to ‘grow their own’ and to other Licensed Producers. All of WeedMD’s assets and operations are located in Canada.

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. The 98-acre property includes 610,000 square feet or 14 acres of state-of-the art greenhouse facility and had begun the required retrofits for cannabis cultivation.

On June 8, 2018, WeedMD secured its cultivation license for the first 44,000 square feet of space in the Strathroy facility and successfully commenced operations, with the first harvest expected early September 2018.

On June 20, 2018, July 5, 2018 and July 12, 2018, WeedMD announced the signing of three distribution agreements, Shoppers Drug Mart, British Columbia Liquor Distribution Branch, and Alberta Gaming, Liquor & Cannabis Commission, respectively. Under these agreements WeedMD will supply high-quality, branded cannabis for distribution across Canada in the medical and adult-use markets. In addition, on August 24, 2018, the Company received its first purchase agreement from Nova Scotia, to supply product to the adult-use market.

WeedMD's team includes industry and health professionals with significant experience and expertise in seniors’ care, including long-term care (“LTC”) and assisted living. The Company has developed a program which will provide access to medical cannabis within senior’s homes through stakeholder education and training, prescription, delivery, tracking and research. Critically, this program has been created to fit within the existing standard operating procedures, policies and protocols of LTC, which, like medical cannabis, is a highly-regulated industry. To date, the company has signed agreements with peopleCare Communities, Arbour Heights, and the Belmont Long Term Care Facility, representing more than 3,000 beds.

WeedMD has also hired leading cultivation, quality assurance and research and development (“R&D”) professionals to manage production and control plant physiology, phyto-sanitary issues and active ingredient concentrations.

Operational Highlights

Greenhouse Expansion

On November 21, 2017, WeedMD entered into a definitive lease and purchase option agreement with Perfect Pick Farms Ltd. (“Perfect Pick”), a large-scale modern greenhouse cultivator located in Strathroy, Ontario. Perfect Pick’s 98-acre property includes 610,000 sq. ft. or 14 acres of state-of-the-art greenhouse facilities that are ready for rapid retrofit for cannabis cultivation.

Subsequent to the agreements being signed, the company began retrofitting the greenhouse space, with the first 44,000 square feet of space being licensed by Health Canada on June 8, 2018. In late June 2018, initial crops were successfully moved into three grow rooms representing 25,000 square feet of this space, with the initial harvest expected to be in September of 2018. Six more grow rooms representing a further 60,000 square feet of cultivation are expected to be licensed and online during the fall of 2018. A further 400,000 square feet of greenhouse space is currently being retrofitted and is expected to be online by the end of 2018.

Highlights of WeedMD’s Large-Scale Greenhouse Expansion:

- Strategic partnership with established Ontario greenhouse management and cultivation team, bringing 40 years of cultivation expertise and experience to WeedMD and an ability to rapidly scale production.

- The facility is located in Strathroy, 30 km west of London, Ontario, and 60 km from WeedMD's existing licensed facility in Aylmer, Ontario.
- Retrofit costs are amongst the lowest in the industry, given the favourable condition of the existing greenhouse facilities and supporting infrastructure.
- WeedMD has the option to acquire 100% interest in Perfect Pick's property, consisting of up to 98 acres of land, infrastructure and cultivation equipment. The combination of a lease with an option to purchase is a compelling and capital efficient expansion strategy.

Purchase of Aylmer Facility

On January 4, 2018, the Company exercised the option that existed in its lease to purchase the Aylmer Facility. The purchase price was $1,500,000 and the purchase closed on March 5, 2018.

Technion Partnership

On February 14, 2018, the Company announced that it had entered into a partnership with the Technion-Israel Institute of Technology to collaborate on the research of 25 of WeedMD's strains.

Dealer's License

On March 1, 2018, the Company announced that it had applied for a dealer's license under the Controlled Drugs and Substances Act ("CDSA"). When secured, the dealer's license will enable the Company to conduct R&D as well as store and export cannabis derivatives that are not permitted under the ACMPR.

Seniors Care Program Development

WeedMD has developed a comprehensive and proprietary program that provides education, administration and the standard operating procedures required to properly service the medical cannabis needs of the elderly. The program has been validated through the Company's first agreements with LTC facilities (note below). Currently, the seniors care division at WeedMD is ramping up to further facilitate the expansion and adoption of our program.

With a demographic that is growing at four times the rate of the broader population, the Company views the LTC, assisted living and seniors' market as an attractive medical market. Seniors carry a large pharmaceutical burden and a sizeable portion of the population is living in, or seeking, assisted living facilities. WeedMD forecasts that patients in this segment can generate upwards of three times the lifetime value (LTV) of a typical patient under the ACMPR, generated by higher, more consistent consumption and a more operationally efficient patient acquisition and distribution model.

Long-term Care Supply Contracts

On September 22, 2017, WeedMD announced that it had signed the first series of agreements to supply medicinal cannabis products with three LTC and retirement home providers. These include peopleCare Communities, Arbour Heights, and the Belmont Long Term Care Facility, which together total nine homes with more than 1,000 beds across Ontario. On December 14, 2017, the Company announced that it had signed another contract to educate and supply 20 LTC and retirement facilities operated by Jarlette Health Services, representing a further 2,000 beds.

The Company will continue to focus on securing additional supply contracts in the LTC assisted living and seniors' markets offering its proprietary integrated care program along with its cannabis products.

Production Progress

During the quarter the Company continued to successfully calibrate its operations, resulting in steadily increased production with a slight increase in operating costs in preparation for the Strathroy facility commencing operations. In late June 2018 the first plants were successfully transferred into the Strathroy facility with the initial harvest expected to be in September of 2018.

Strain Development

WeedMD owns an extensive library of 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.

Sales of Dried Cannabis and Live Cannabis Plants to Patients

On May 31, 2017, WeedMD officially started registering patients and commenced sales of dried cannabis. Currently, the Company has fifteen different dried cannabis products available for sale, encompassing a wide spectrum of cannabinoid and terpenoid profiles. WeedMD offers its patients both compassionate pricing and a senior's discount. In June 2017, WeedMD began selling live cannabis plants to patients who are registered with Health Canada under the ACMPR to grow their own plants. The Company has developed a proprietary system for safe and secure shipment and is now making successful deliveries to patients who are able to grow their own plants for medical purposes.

Sales to Licensed Producers

WeedMD has selected several strains of cannabis which it offers for sale to other licensed producers ("LP"). These sales are made under a "Genetic Supply Agreement" that allows the recipient of these strains to produce dried product from them for sale, but not to sell the genetics themselves. The agreements also provide for a mutual insurance policy whereby both parties have agreed to make the particular strain available to each other should this become necessary. WeedMD also sells limited amounts of bulk dried product to other LPs.

Corporate Highlights

Convertible Debenture Financing

On November 2, 2017, the Company completed a private placement of 15,000 convertible unsecured debentures (the "Unsecured Convertible Debentures") at a price of $1,000 per Convertible Debenture, for gross proceeds of $15,000,000 (the "Offering"). The financing was facilitated by a syndicate of underwriters led by Eight Capital and including Haywood Securities Inc. and Mackie Research Capital Corporation (together with Eight Capital, the "Underwriters").

The Unsecured Convertible Debentures bear interest at a rate of 8.0% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The Convertible Debentures have a maturity date of November 1, 2019 (the "Maturity Date").

The Unsecured Convertible Debentures are convertible at the option of the holder into common shares of the Company (the "Shares") at any time prior to the Maturity Date at a conversion price of $1.20 per Share (the "Conversion Price"). At any time after March 3, 2018, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should: (1) the daily volume weighted average trading price of the Shares be greater than $2.00, for any 10 consecutive trading days, and (2) the volume traded during each weighted average price day is not less than 50,000 common shares. As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering. The Company also issued to the Underwriters 375,000 compensation warrants. Each compensation warrant is exercisable into one common share at the Conversion Price for a period of 24 months following the closing of the Offering.

As at June 30, 2018, a total face value of $12,200,000, of the Convertible Debentures have been converted to common shares, leaving a total face value of $2,800,000 in Convertible Debentures outstanding.

Equity Financing

On January 11, 2018, the Company closed a short form prospectus offering with a total of 16,046,511 units of the Company (the "Units") sold at a price of $2.15 per Unit (the "Issue Price") for aggregate gross proceeds of $34,500,000 (the "Offering"). The Offering was completed by a syndicate of underwriters including Eight Capital as sole bookrunner and co-lead underwriter with Mackie Research Capital Corporation and including Haywood Securities Inc. (the "Underwriters").

Each Unit consists of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $2.90 until January 11, 2020. If, following the closing of the Offering, the volume weighted average price of the Common Shares on the TSX Venture Exchange is equal to or greater than $4.20 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.

As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering. As additional consideration, the Company also issued a total of 470,890 compensation options to the Underwriters. Each compensation option is exercisable into one Unit at the Issue Price until January 11, 2020.

Warrant and Stock Options Exercise

In the six months ended June 30, 2018, the Company issued 2,351,127 common shares from the exercise of warrants and broker warrants at exercise prices in a range of $0.80 to $1.20 per share for net proceeds in total of $1,925,947.

In the six months ended June 30, 2018, the Company issued 354,916 common shares for the exercise of stock options at exercise prices in a range of $0.60 to $0.86 per share for net proceeds of $254,337.

Stock Option Grants

On January 12, 2018, the Company granted 3,013,000 stock options to its directors, officers, employees, and consultants. Each option is exercisable into one common share at an exercise price of $2.36, until January 12, 2023, and vest quarterly over 24 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 93.3%; (iii) risk-free interest rate of 2.01%; (iv) share price of $2.36; forfeiture rate of nil; and (v) expected life of 60 months. The total fair value of the options is $5,104,306 of which $638,038 has been recorded as share-based compensation expense in the six months ended June 30, 2018

On May 18, 2018, the Company granted 500,000 options to consultants. Each option is exercisable into one common share at the exercise price of $1.80, until May 18, 2023, and vest quarterly over 24 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 86.4%; (iii) risk-free interest rate of 2.07%; (iv) share price of $1.80; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The total fair value of the options is $644,418. Total share-based compensation for the six months ended June 30, 2018 is $Nil, as the options have not vested.

On June 18, 2018, the Company granted 130,000 options to employees. Each option is exercisable into one common share at the exercise price of $1.74, until June 17, 2023, and vest quarterly over 24 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 86.4%; (iii) risk-free interest rate of 1.90%; (iv) share price of $1.74; forfeiture rate of nil; and (v) expected life of 60 months. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The total fair value of the options is $155,286. Total share-based compensation for the six months ended June 30, 2018 is $Nil, as the options have not vested.

Merger Arrangement

On April 19, 2018, WeedMD and Hiku Brands Company Ltd. (“Hiku”) (CSE: HIKU) announced that they had entered into a definitive agreement to merge both companies and create a vertically integrated cannabis company.

On July 10, 2018, the Company agreed with Hiku Brands Company Ltd. (“Hiku”) to terminate the previously announced Arrangement Agreement, dated April 19, 2018. In connection with the termination of the Arrangement Agreement, the Company has received a $10 million termination fee.

Industry Trends

The Canadian Medical Cannabis Market

In 2001, Canada implemented the Medical Marihuana Access Regulations (“MMAR”), a government-run program that provided for 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 license 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.

The ACMPR is in most respects similar to the MMPR, but, as in the MMAR, allows for patients to grow their own cannabis at home. Under the ACMPR, patients obtain a medical document from their healthcare provider and provide it to the LP with which they wish to register. Once registration is complete, the patient can then order medical cannabis, which is then shipped directly from the LP to the patient.

Health Canada provides quarterly reports on the industry. In the most recent release, March 31, 2018, they reported that 296,702 patients had enrolled into the ACMPR program. This shows significant growth from December 31, 2016, at which time there were just under 130,000 patients registered in the program. By 2024, Health Canada estimates that there will be 450,000 patients using medical cannabis, with the associated market worth an estimated $1.3 billion.

Legalization of Adult-Use Cannabis

CIBC World Markets has estimated that the potential value of a legalized adult-use cannabis market in Canada is $6.5 billion per year by 2020, with Deloitte projecting a total economic impact of over $22 billion (inclusive of related industries and services). For reference, Statistics Canada valued the Canadian beer market in 2014 at $8.7 billion.

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 coming into force (i.e. first adult use sales) is set for October 17, 2018.

Regulations will vary province to province, to note a few, the regulations include:

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

Under the federal legislation, the provinces will be responsible for the distribution of cannabis. Quebec, Prince Edward Island, New Brunswick, Nova Scotia, Yukon and the Northwest Territories announced that their provincial liquor control groups will manage the distribution and sale (physical and online) of adult-use cannabis, while Ontario, BC, Saskatchewan, Alberta, Manitoba, and Newfoundland & Labrador would allow some form of private retail with their respective provincial liquor control groups overseeing distribution. The provinces are moving at an accelerated pace to set regulations, with store locations in government-run models (i.e. Nova Scotia and Quebec) being identified, and competitive bidding processes for private retail already underway in several provinces.

Overall Performance

In the six months ended June 30, 2018, WeedMD continued with the registration of patients and the sale of its products and recorded revenues of $3,231,504 as compared to $235,659 in the same period of prior year. For the 3 months ended June 30, 2018 revenues were $2,089,163 compared to $235,659 in the same period of the prior year.

Included in the loss before other income and expenses are certain non-recurring expenditures as follows:

Adjusted Operating Loss

Adjusted Operating Loss is not a recognized measurement under IFRS and this data may not be comparable to data presented by other companies. Management believes Adjusted Operating Loss to be an important measure of the Company's day-to-day operations, by excluding non-cash gains and losses and/or non-recurring items. The measure is useful in assessing the results of operating and strategic decisions.

		Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Loss		**$ (1,763,007)**	**$ (4,759,845)**	**$ (3,084,504)**	**$ (5,952,319)**
Finance costs		309,516	391,338	956,631	1,209,050
Investment loss		270,833	-	145,833	-
Interest income		(199,504)	(11,365)	(331,168)	(22,432)
Loss before the undernoted		$ (1,382,162)	$ (4,379,872)	$ (2,313,208)	$ (4,765,701)
Realized loss on changes in fair value of biological assets included in inventory sold		1,231,640	-	2,338,929	-
Unrealized gain on change in fair value of biological assets		(2,044,529)	(326,536)	(3,500,211)	(1,011,526)
Adjusted Operating Loss		$ (2,195,051)	$ (4,706,408)	$ (3,474,490)	$ (5,777,227)

Adjusted operating loss for the six months ended June 30, 2018 decreased to $3,474,490 from $5,776,777 in prior year due to an increase in sales, partially offset by increased general and administrative expenses and marketing costs associated with the expansion of operations and sales. For the three months ended June 30, 2018 adjusted operating loss decreased to $2,195,051 from $4,706,408 due to an increase in sales.

Total comprehensive loss for six months ended June 30, 2018 was $3,084,504 as compared to $5,952,319 for the six months ended June 30, 2017. The comprehensive loss in the six months ended June 30, 2018 includes a net non-cash gain of $1,161,282 related to changes in fair value of biological assets ($1,011,526 in the six months ended June 30, 2017); $956,631 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($1,209,050 in the six months ended June 30, 2017). During the six months ended June 30, 2018 the Company invested $750,000 in equity instruments (“Equity Instruments”) measured at fair value, generating an unrealized loss of $145,833 (six months ended June 30, 2017: $Nil).

Total comprehensive loss for three months ended June 30, 2018 was $1,763,007 as compared to $4,759,845 for the three months ended June 30, 2017. The comprehensive loss in the three months ended June 30, 2018 includes a net non-cash gain of $812,889 related to changes in fair value of biological assets ($326,536 in the three months ended June 30, 2017); $309,516 non-cash finance cost incurred related to the convertible debentures issued in November 2017 ($391,338 in the three months ended June 30, 2017). During the three months ended June 30, 2018 the Company’s Equity Instruments generated an unrealized loss of $270,833 (six months ended June 30, 2017: $Nil).

General Financial Condition

As at June 30, 2018 WeedMD had working capital of $43,500,124 compared to a working capital of $25,713,807 as at December 31, 2017. The Company had cash on hand as at June 30, 2018 of $39,503,944 (December 31, 2017: $24,692,678) and relies on cash on hand and on operating cash flow from sales of medical cannabis products to fund its operations.

Results of Operations

	Three months ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Revenue	2,089,163	235,659	3,231,504	235,659
Net comprehensive loss	(1,763,007)	(4,759,845)	(3,084,504)	(5,952,319)
Cash used in operations	(1,703,757)	(1,596,196)	(3,301,325)	(2,978,827)
Loss per share (basic and diluted)	(0.02)	(0.08)	(0.03)	(0.13)

As at	**June 30,**	**December 31,**
	2018	**2017**
	$	**$**
Total Assets	73,766,029	39,605,187
Total Liabilities	6,949,209	14,472,639
Working Capital	43,500,124	25,713,807

Revenues

WeedMD commenced sales of its medical cannabis products in May 2017 and recorded revenues of $3,231,504 in the six months ended June 30, 2018 (six months ended June 30, 2017: $235,659). For the three months ended June 30, 2018, recorded revenue was $2,089,163 (three months ended June 30, 2017: $235,659). Revenues consisted of the sale of dried medical cannabis, live cannabis plants and cannabis oil. Total dried product sold for the period was 188,529 grams at a weighted average selling price of $6.56 per gram (six months ended June 30, 2017: 32,744 grams at an average selling price of $4.84 per gram). For the three months ended June 30, 2018 total dried product sold was 135,143 grams (June 30, 2017: 32,744 grams)

Cost of Sales

Included in the cost of sales are the net change in fair value of biological assets and production costs. Biological assets consist of cannabis plants at various pre-harvest or pre-distribution stages of growth. These plants are recorded at fair value less costs to sell at the point of harvest or sale. For cannabis plants that are harvested, at harvest, the biological assets are transferred to inventory at their fair value, which becomes their deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offset against the unrealized gain on biological assets. Production costs are expensed through cost of sales. Net cost of sales for the six months ended June 30, 2018 was $576,364 (six months ended June 30, 2017: $222,969), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $1,161,282 (six months ended June 30, 2017: $1,011,526).

Net cost of sales for the three months ended June 30, 2018 was $73,836 (three months ended June 30, 2017: $366,066), and includes a recovery related to the net unrealized gain on changes in the fair value of biological assets of $812,889 (three months ended June 30, 2017: $326,536).

Cost of sales will vary based upon the number of pre-harvest plants, the particular strains in development and the stage of growth of the plants.

Amortization

WeedMD started depreciating most of its property, plant and equipment on July 1, 2016 except for furniture and fixtures, which were depreciated starting on January 1, 2014.

Total amortization expense incurred for the six months ended June 30, 2018 was $208,036 (six months ended June 30, 2017: $210,620), of which $32,382 (2017: $11,565) was recorded in the Company's amortization expense, $139,574 was allocated to production cost (2017: $162,944) and $36,080 (2017: $36,111) was capitalized into finished goods.

Total amortization expense incurred for the three months ended June 30, 2018 was $75,744 (three months ended June 30, 2017: $114,167), of which $16,742 (2017: $6,227) was recorded in the Company's amortization expense,

$45,678 was allocated to production cost (2017: $88,176) and $13,324 (2017: $19,764) was capitalized into finished goods.

General and administrative expenses

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

Rent and occupancy costs

Rent and occupancy expenses were incurred for the lease of its 25,620 sq. ft. premises in Aylmer, and office rent. On January 4, 2018 the Company exercised the option that existed in its lease to purchase the Aylmer Facility. The purchase price was $1,500,000 and the purchase closed on March 5, 2018.

In the six months ended June 30, 2018, WeedMD incurred $421,095 in rent and occupancy costs (six months ended June 30, 2017: $589,301), of which $66,385 (six months ended June 30, 2017: $86,476) was recorded as rent and occupancy expenses; $324,793 (six months ended June 30, 2017: $453,011) in production costs and $29,917 (six months ended June 30, 2017: $49,814) in finished goods.

In the three months ended June 30, 2018, WeedMD incurred $232,259 in rent and occupancy costs (three months ended June 30, 2017: $405,388), of which $17,002 (three months ended June 30, 2017: $52,959) was recorded as rent and occupancy expenses; $198,911 (three months ended June 30, 2017: $324,112) in production costs and $16,349 (three months ended June 30, 2017: $28,317) in finished goods.

Wages and salaries

In the six months ended June 30, 2018 WeedMD incurred wages and salaries expenses of $1,796,848 (six months ended June 30, 2017: $797,473), of which $1,228,371 (six months ended June 30, 2017: $409,867) was recorded as expense, $375,497 (six months ended June 30, 2017: $270,245) recorded in production cost and $192,980 (six months ended June 30, 2017: $117,361) in finished goods.

In the three months ended June 30, 2018 WeedMD incurred wages and salaries expenses of $1,059,889 (three months ended June 30, 2017: $453,437), of which $776,616 (three months ended June 30, 2017: $255,424) was recorded as expense, $188,377 (three months ended June 30, 2017: $133,245) recorded in production cost and $94,896 (three months ended June 30, 2017: $64,768) in finished goods.

The Company has employed industry experts and skilled personnel from the medical cannabis sector. The increase in wages and salaries expense is due to an increase in headcount required to successfully scale up production and sales. As at June 30, 2018, the Company employed 73 people, an increase of 32 from December 31, 2017, and with the growth in operations and sales, the Company expects a proportionate growth in headcount.

Office and administration

Included in Office and Administration are expenses related to marketing, mail and postage, association memberships, software maintenance, telephone, internet, website and insurance costs. In the six months ended June 30, 2018, the Company incurred Office and Administration expense of $1,771,709 (six months ended June 30, 2017: $526,040). In the three months ended June 30, 2018, the Company incurred Office and Administration expense of $1,071,637 (three months ended June 30, 2017: $378,599).

Share-based compensation

The Company records share-based payments with a corresponding increase to the contributed surplus account. In the six months ended June 30, 2018, the Company granted 3,643,000 stock options to its directors, officers, employees and consultants. Each option is exercisable into one common share at an exercise price ranging from $1.74 to $2.36 and expiring from January 11, 2023 to June 17, 2023 (six months ended June 30, 2017: 4,554,167 stock option granted). For the six months ended June 30, 2018, $713,278 stock-based compensation expenses were recorded upon vested options (six months ended June 30, 2017: $1,947,509). For the three months ended June 30, 2018, $675,658 stock-based compensation expenses were recorded upon vested options (three months ended June 30, 2017: $1,947,509)

Net loss for the period

The Company reported a net loss and comprehensive loss of $3,084,504 for the six months ended June 30, 2018 (six months ended June 30, 2017: $5,952,319). For the three months ended June 30, 2018 the comprehensive loss was $1,763,007 (three months ended June 30, 2017: $4,759,845)

Liquidity and Capital Resources

As at June 30, 2018, WeedMD had cash of $39,503,944 (December 31, 2017: $24,692,678). Total current assets amounted to $48,174,747 (December 31, 2017: $28,834,775), including inventory and biological assets of $4,430,279 (December 31, 2017: 3,054,222) and fair value for shares and warrants issued as down payment of an option agreement of $5,892,350 (December 31, 2017: $5,892,350); with current liabilities of $4,674,623 (December 31, 2017: $3,120,968), resulting in working capital of $43,500,124 (December 31, 2017: $25,713,807).

WeedMD plans to access further working capital through equity and/or debt financings, if required, to finance its growth plans.

Off-balance sheet arrangements

WeedMD has not entered into any off-balance sheet finance arrangements.

Contractual obligations

On November 22, 2017, the Company entered a lease for the Strathroy-based greenhouse expansion, for a term of 2 years for a base rent of $1.00 for the first acre with an option to lease an additional 13 acres for $180,000 per annum per acre. The Company has the option to extend the lease for an additional 10 terms of one year each. In addition, the Company has an option to purchase the 98-acre property for $27,280,000 (inclusive of the deposit). As June 30, 2018, the Company was leasing 5 acres.

Within 1 year	$	2,437,393
Within 2 years		309,940
Within 3 years		5,783
Within 4 years		-
Within 5 years		-
	$	2,753,116

Transactions with related parties

For the six months ended June 30, 2018, the Company's key management included Bruce Scully, CEO, Keith Merker, CFO, Dr. Luc Duchesne, Chief Science Officer ("CSO"), Directors and the Secretary of the Board. Transactions with related parties include:

- Salaries and service fee;
- Loans payable without bearing interest and 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, 2018		December 31, 2017
Accounts payable and accrued liabilities	**$**	**9,517**	$	77,399
	$	**9,517**	$	77,399

For the three and six months ended June 30, 2018 and 2017, total remuneration/service fees paid, and interest paid to the key management is as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	**2018**	2017
Interest paid to related parties	**-**	-	**-**	222
Share based compensation	**359,995**	978,750	**359,995**	978,750
Salaries	**151,075**	79,740	**311,572**	173,283
Fees	**63,525**	58,257	**97,137**	110,000
	$ 574,595	$ 1,116,747	**$ 768,704**	$ 1,262,255

1,700,000 stock options were issued in the six months ended June 30, 2018 (six months ended June 30, 2017 – 1,125,000) to certain key management personnel with $359,995 recorded in share-based compensation (six months ended June 30, 2017: $987,750).

Property, plant and equipment

Starting July 1, 2016, the Company commenced the cultivation of its product and commenced recording amortization of its assets.

Total amortization for the six months ended June 30, 2018 was $208,036 (June 30, 2017 - $210,620), of which $36,080 (six months ended June 30, 2017 - $36,111) has been capitalized in inventory, $139,574 (six months ended June 30, 2017 - $162,944) is included within production costs, and $32,382 (six months ended June 30, 2017 - $11,565) is included in amortization expense.

As at June 30, 2018, building improvement additions with a carrying value of $12,684,467 (December 31, 2017: $2,758,780), were not yet available for use. As such, the cost of the assets has been capitalized but not yet amortized.

Summary of Quarterly Results

	Q3-17	**Q4-17**	**Q1-18**	**Q2-18**
Revenue	$ 356,479	$ 858,924	$ 1,142,341	2,089,163
Loss before other income and expenses	(566,565)	(1,996,521)	(931,046)	(1,382,162)
Net comprehensive loss	(557,807)	(3,438,170)	(1,321,497)	(1,763,007)
Loss per Share	$ (0.01)	$ (0.05)	$ (0.01)	$ (0.02)

	Q3-16	**Q4-16**	**Q1-17**	**Q2-17**
Revenue	$ -	$ -	$ -	$ 235,659
Loss before other income and expenses	(10,572)	(57,581)	(49,401)	(3,145,019)
Net comprehensive loss	(10,572)	(57,581)	(49,401)	(4,759,844)
Loss per Share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.08)

The quarters beginning Q3-16 through Q1-17 represent the results of Aumento Capital V Corporation.

Risk Factors

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

Reliance on license

The operations of the Company require it to obtain licences for the transportation, distribution, production and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. Save for the sales license under the ACMPR with respect to the Strathroy Greenhouse, the Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

Regulatory risks

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

Change in laws, regulations and guidelines

The Company's ability to achieve its business objectives is contingent, in part, upon the Company's compliance with regulatory requirements enacted by governmental authorities and the Company's obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada’s compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, results of operations and financial condition. Any amendment to or replacement of existing laws may cause adverse effects to the Company's operations. The risks to the Company's business represented by subsequent regulatory changes could reduce the addressable market for its products and could materially and adversely affect its business, financial condition and results of operations.

Limited operating history

The Company has a limited operating history and, accordingly, potential investors will have a limited basis on which to evaluate its ability to achieve its business objectives. The future success of the Company is dependent on management's ability to implement its strategy. Whilst management is optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will successfully produce commercial medical cannabis. The Company faces risks frequently encountered by early-stage companies. In particular, its future growth and prospects will depend on its ability to expand its operation and gain additional revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Company's business, financial condition and results.

Reliance on management

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

Factors which may prevent realization of growth targets

The Company's growth strategy contemplates outfitting the Aylmer, Ontario facility with additional production resources as well as the current retrofitting of the Strathroy Greenhouse Expansion. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

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

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

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

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

Competition

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

The number of licenses granted by Health Canada could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks inherent in an agricultural business

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

Vulnerability to rising energy costs

WeedMD's medical cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably. WeedMD is continuously looking for efficiencies in an effort to mitigate this exposure.

Transportation disruptions

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

Unfavourable publicity or consumer perception

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

Product liability

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

Product recalls

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

Reliance on key inputs

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

Dependence on suppliers and skilled labour

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

Difficulty to forecast

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

Operating risk and insurance coverage

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

Management of growth

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

Conflicts of interest

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

Litigation

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

The market price of the Company's common shares may be subject to wide price fluctuations

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

Dividends

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

Limited market for securities

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

Environmental and employee health and safety regulations

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

Volatile market price for the common shares

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

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

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

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 in these consolidated financial statements are reasonable.

New Accounting Standards and Interpretations

a) New Standards Adopted in Current Year

IFRS 2 'Share-based Payment' was issued by the IASB in June 2016. These amendments provide clarification on how to account for certain types of share-based transaction. The amendments are effective for the annual period beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 9 'Financial Instruments: Classification and Measurement', introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. Under IFRS 15, revenue from the sale of medicinal cannabis would be recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfied its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18. IFRS 15 is effective for the Company on January 1, 2018. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements. Note that as a result of IFRS 15, the disaggregated revenue has been disclosed in Note 16.

b) New Accounting Standards to be Adopted in the Future

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards which are not yet effective for the relevant reporting periods and which the Company has not early adopted.

- IFRS 16 'Leases' was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently assessing and still evaluating what impact the application of this standard will have on the condensed interim consolidated financial statements of the Company.

Disclosure of Outstanding Share Data

As of August 27, 2018, the following is outstanding:

Common Shares:	107,564,917
Warrants:	11,269,255
Stock and Broker Compensation Options:	7,306,816

Subsequent Events

a) On August 24, 2018, the Company received its first purchase agreement with Nova Scotia to supply product for the adult-use market.

b) On August 15, 2018, the Company entered into a final definitive joint venture agreement with Phivida Holdings Inc., to develop and operate Cannabis Beverages Inc ("CanBev") at the Strathroy facility. Both companies will be strategic partners in the development of CanBev and WeedMD will be the exclusive supplier of cannabinoid extracts to be used in cannabis infused consumer products.

c) On July 12, 2018, the Company entered into an agreement with British Columbia Liquor Distribution Branch to supply the province with high-quality, branded cannabis products for distribution in the adult-use market.

d) On July 10, 2018, the Company agreed with Hiku Brands Company Ltd. to terminate the previously announced Arrangement Agreement, dated April 19, 2018. In connection with the termination of the Arrangement Agreement, the Company has received a $10 million termination fee.

e) On July 5, 2018, the Company entered into an agreement Alberta Gaming, Liquor & Cannabis Commission to supply the province with high-quality, branded cannabis for distribution in the adult-use market.