EMERALD HEALTH THERAPEUTICS, INC.
(Formerly T-Bird Pharma Inc. and formerly Firebird Energy Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2015

Dated: November 18, 2015

Introduction

The following Management's Discussion and Analysis ("MD&A") is prepared as of November 18, 2015 and is intended to assist the understanding of the results of operations and financial condition of Emerald Health Therapeutics, Inc.

Emerald Health Therapeutics, Inc. ("Therapeutics", the "Company" or "Corporation"), formerly T-Bird Pharma Inc., and formerly Firebird Energy Inc., was incorporated by articles of incorporation pursuant to the Business Corporations Act of British Columbia on July 31, 2007 as Firebird Capital Partners Inc. Its registered office is at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, B.C., V6E 3X1. On December 27, 2012 the Company changed its name to Firebird Energy Inc. ("Firebird"). On September 4, 2014, Firebird completed the acquisition of all of the issued and outstanding common shares of Emerald Health Botanicals Inc., formerly Thunderbird Biomedical Inc., by way of a reverse takeover (the "Transaction") under the rules of the TSX Venture Exchange and concurrently changed its name to T-Bird Pharma Inc. In June 2015, the Company changed its name to Emerald Health Therapeutics, Inc. and Thunderbird changed its name to Emerald Health Botanicals Inc. The Company is classified as a Tier 2 Venture Issuer on the TSX Venture Exchange.

The Company was engaged in the exploration, development, and production of oil and natural gas and liquidated all oil and gas assets plus related liabilities immediately prior to the acquisition of Emerald Health Botanicals Inc. ("Botanicals"). Botanicals is a private Victoria based company and was incorporated by articles of incorporation pursuant to the Business Corporations Act of British Columbia on January 28, 2013. The principal business of Botanicals is the production and sale of medical marijuana pursuant to the Marijuana for Medical Purposes Regulations ("MMPR"). In November 2015, the Company received a Supplemental License from Health Canada authorizing Botanicals to produce cannabis oils and capsules.

This MD&A should be read in conjunction with the condensed interim financial statements and accompanying notes of the Company for the three and nine months ended September 30, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All figures are in Canadian dollars unless otherwise noted.

Additional information related to the Company is available on its website at www.emerald.care and on the Canadian Securities Administrator's website at www.sedar.com.

Forward-Looking Statements

This MD&A contains forward-looking statements, including statements regarding the business and anticipated future financial performance of the Corporation, which involve risks and uncertainties. These risks and uncertainties may cause the Corporation's actual results to differ materially from those contemplated by the forward looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Corporation's required financial statements and filings.

Description of Business

Therapeutics is a publically traded company with headquarters in Victoria, B.C. Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "EMH". Therapeutics is the parent of the wholly owned subsidiary Botanicals, also located in Victoria, B.C. Botanicals was founded in 2013 for the purpose of producing and selling Medical Marijuana under Federal Licence.

Botanicals holds licenses under the Marihuana for Medical Purposes Regulations ("MMPR") to cultivate and sell medical cannabis, and to produce medical cannabis oil and capsules, in Canada.

Botanicals' goal is to be an exemplary Licenced Producer with rigorous quality standards for its products, processes and client services. Botanicals' fully developed production and quality systems, including SOPs, are tested, scalable and transferable and comply with all Health Canada regulations as established under the MMPR.

Recent Developments and Subsequent Events

In April 2015, the Company, together with certain of its shareholders, completed a transaction with Emerald Health Sciences, Inc. (formerly Medna Biosciences Inc.) ("Sciences") whereby Sciences acquired (the "Escrow Transfer") a total of 20,156,790 common shares of the Company (44% of the Company's issued shares) from five of its founding shareholders, including its former CEO and CFO, at a price of $0.21 per share. The Company will benefit from the pharmaceutical expertise that Sciences brings and the collaborative efforts of the two companies will provide opportunities for expansion in cultivation capacity and technology advancement in the medical cannabis industry.

Concurrent with the completion of the Escrow Transfer in April 2015, three new board members were appointed and three existing board members resigned. Dr. Avtar Dhillon was appointed as Executive Chairman of the Company and Mr. David Raffa, previous Executive Chairman, continues as a member of the board. In January 2015, the CEO stepped down and was replaced by Dr. Bin Huang, who had previously been appointed as President and COO. In February 2015, the CFO stepped down and was replaced as well. The changes in the management team represents the progression the Company is making from a development stage company towards a commercially viable operation.

In August 2015, the Company entered into a loan agreement with Sciences pursuant to which Sciences agreed to loan monies to the Company on a revolving basis, in amounts and at times agreed to by the parties. Amounts loaned to the Company will bear interest at 5% per annum and will be repayable on demand. As of September 30, 2015, the Company had borrowed $323,765, including interest, through this agreement.

The client service representative team started registering patients during the third quarter of 2015 and product sales commenced. As it takes time to register patients under the Health Canada regulations, the Company did not have significant revenue in the third quarter and expects to see an increase in the number of registered patients ordering product in the fourth quarter. Marketing and promotional activities continue with a priority on physician and client education. In addition, a new website has been launched which includes an on-line client service platform. The Company's goal is to maximize client registration for the remainder of the fiscal year.

Internal production to date has been moderate as the Company has limited space to grow and limited storage capacity in its vault and was not able to build up large quantities of inventory prior to sales commencing. In November 2015 Health Canada approved two additional production rooms at Botanical's facility and renewed its medical cannabis production and sales license under the MMPR for a period of one year. The two additional production rooms will significantly increase Botanical's growing capacity and will be brought online effective immediately. In addition, a new expanded vault is planned to be installed in December 2015. The Company continues to purchase additional strains of dried medical marijuana from another Licenced Producer to supplement current inventory levels.

In November 2015, Botanicals also received a Supplemental License from Health Canada authorizing the production of cannabis oils. The Company began construction of lab space within its current facility and purchase of lab equipment in September 2015 in anticipation of receiving this license and plans to start production of cannabis oils in the fourth quarter. Concurrently, the Company will apply for approval from Health Canada for the authority to sell cannabis oil with the goal of selling product by early 2016.

Expansion at the current facility, including the extract lab, will allow the Company to increase its production capacity of dried product and oils. The Company aims to actively and prudently grow its production capacity to gain economies of scale and assess growth strategies based on market demand. As Botanicals reviews its growth strategy it has, effective October 31, terminated the lease agreement on a facility in Victoria, BC that it was considering as a second cultivation facility. The Company is actively pursuing other options of expansion that would allow for more flexible space planning in a modular approach.

During the quarter, the Company continued a research and development project related to the Company's strains of medical cannabis. The project will be used to characterize strains and utilize the data generated to assist in: identifying strains with specific compositions of cannabinoids, develop the new strains using the Company's range of genetic material and to ultimately match these strains with patient's needs. The project will be partially funded through NRC-IRAP (National Research Council of Canada-IRAP). The Company has requested an extension to the project through to April 2016 with additional funding under consideration by NRC-IRAP.

Results of Operations

The Company's net loss for the quarter ended September 30, 2015 was $717,030 (loss of $0.02 per share), compared to a net loss of $1.41 million (loss of $0.04 per share) for the same period ended September 30, 2014. The net loss for the nine months ended September 30, 2015 was $2.96 million (loss of $0.06 per share) compared to a net loss of $1.89 (loss of $0.06 per share) for the same period in 2014. The loss in the three and nine month periods ended September 30, 2014 included RTO costs of $695,244 and $746,294 respectively. The net loss for the current three and nine month periods is comprised of:

Revenue

The Company commenced sales of medical marijuana in the third quarter of 2015. As registering patients under the Health Canada regulations requires diligence, it takes time to build up patient numbers and sales for the quarter ended September 30, 2015 were $7,389. Sales in the fourth quarter of 2015 are expected to increase as the number of registered patients ordering product is growing quickly. The Company continues to focus on patient acquisition as a priority.

Cost of sales

Cost of goods sold for medical marihuana was determined based on net realizable value on product available for sale and direct shipping costs. As the production volumes to date have been small due to limitations on space available, the production costs have been greater than net realizable value. The excess production costs are included in operating and facilities expenses.

Also included in cost of sales is the change in fair value in biological assets (medical marijuana prior to harvest) for the three and nine months ended September 30, 2015. There were no changes in fair value in biological assets recognized prior to receiving the full license under the MMPR.

Other expenses

Current year to date expenditures have increased significantly compared to the prior year as the Company did not begin operations until May 2014, and there were minimal costs incurred in the periods prior to the quarter ended September 30, 2014. Starting in the quarter ended September 2014, the Company has hired employees and engaged advisors and consultants to implement the systems and procedures required to produce and sell under the MMPR regulations.

General and Administrative expenses - $227,912 for the three months ended September 30, 2015 compared to $215,564 for the same period in the prior year, and $751,686 and $286,120 for the nine months ended September 30, 2015 and September 30, 2014 respectively. General and administrative expenses includes senior management wages and benefits, consulting and legal services, insurance and investor relations. Legal services for the nine month period ended September 30, 2015 were approximately $75,000 and included transaction fees related to the Escrow Transfer and the annual general meeting.

Operating and facilities expenses - $262,484 and $878,648 for the three and nine month periods ended September 30, 2015 include pre-sales production costs and production costs in excess of inventoried costs, production facility costs and quality assurance expenditures that are not included in inventory as of September 30, 2015. Included in these amounts are lease costs and consulting fees related to the second facility which were approximately $105,000 in the current quarter and $350,000 year to date.

Sales and marketing costs - for the three and nine month periods ended September 30, 2015 were $59,485 and $114,187, respectively. These costs include expenditures for medical outreach and educational programs, branding programs and the client services center, which interfaces directly with our clients. Several events were sponsored during the past six months that provided educational material to healthcare practitioners on medical marijuana.

Net research and development costs - $59,593 and $68,192 for the three and nine month periods ended September 30, 2015, respectively. Research and development projects include testing a variety of growing and production methodologies and the NRC-IRAP project to characterize medical cannabis strains. The expenses are net of $30,328 in government contribution toward the NRC-IRAP project for the quarter ended September 30, 2015 and $53,267 year to date.

Share-based compensation - $90,406 and $1,138,650 for the three months and nine months ended September 30, 2015, respectively, are primarily compensation expenses related to employee, director and consultant incentive stock options which are measured at fair value at the date of grant and expensed over the options' vesting period. Additional share-based compensation in the amount of $273,900 was recorded in the three month period ended June 30, 2015 on the assignment of founders shares as compensation for a finders' fee on the Escrow Transfer. Share-based compensation was $338,927 and $591,522 for the three months and nine months ended September 30, 2014.

The basic and diluted loss per common share for the three and nine months ended September 30, 2015 was $0.02 and $0.06 compared to $0.04 and $0.06 for the same periods in 2014. Diluted loss per share is the same as basic loss per share as the outstanding options have an anti-dilutive effect on the loss per share.

Summary of Quarterly Results

	2015			2014
	September 30	June 30	March 31	December 31
Revenue	7,389	-	-	-
Expenses	626,624	589,333	607,306	612,555
Share-based payments	90,406	876,420	171,824	136,972
Loss	(717,030)	(1,465,753)	(779,130)	(749,527)
Loss per share	(0.02)	(0.03)	(0.02)	(0.02)

	2014			2013
	September 30	June 30	March 31	December 31
Expenses	326,950	146,592	33,170	8,864
Share-based payments	338,927	252,595	-	-
RTO costs	695,244	51,050	-	-
Loss	(1,361,121)	(450,237)	(33,170)	(8,864)
Loss per share	(0.04)	(0.02)	(0.00)	(0.00)

Disclosure of Outstanding Share Data

As of November 18, 2015, there were 46,070,841 common shares and 4,400,000 stock options outstanding.

Additional Disclosure for Venture Issuers Without Significant Revenue

As the Company had no significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Expensed research and development costs	89,921	-	121,459	-
General and administrative expenses	227,912	215,564	751,686	286,120
Purchase of plant and equipment	31,388	69,604	125,984	135,683
Any material costs (capitalized, deferred or expensed) not referred to above or disclosed in the financial statements	-	-	-	-

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at September 30, 2015, the Company had negative working capital of $208,622, which is net of the demand loan of $323,765 owing to Sciences. Sciences has agreed to provide funds as needed in order for the Company to continue to meet its ongoing financial obligations. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing.

<u>Operating, Financing, and Investing Activities</u>

Total cash used was $330,968 for the quarter ended September 30, 2015, compared with cash generated of $2.1 million for the quarter ended September 30, 2014. Operating activities used cash of $632,988 for the quarter ended September 30, 2015, compared with cash used of $427,812 for the quarter ended September 30, 2014. The increase in cash outflow in the quarter ended September 30, 2015 was due to the increase in activities of the Company.

Cash used in investing activities in the quarter ended September 30, 2015 was $31,388, compared to cash used of $69,604 for the same quarter in the prior year. For the nine month period ended September 30, 2015, cash used in investing activities was $125,984 compared to cash used of $135,683 for the nine months ended September 30, 2014. The use of cash was due to the purchase of equipment and leasehold improvements in the Company's production facilities.

Cash generated by financing activities in the quarter ended September 30, 2015 was $333,408 comprised of cash advances from Sciences for the quarter. Cash generated of $2.6 million in the quarter ended September 30, 2014 was comprised of the net proceeds received on the private placement of 7.5 million shares at $0.40 per share. In addition, in May 2014, the Company issued shares in a private placement for proceeds of $600,042.

Historically, the Company's source of funding has been the advances from shareholders and related parties and issuance of equity securities for cash, primarily through private placements.

At September 30, 2015, the Company is dependent on cash advances from Sciences to continue as a going concern. At the Company's current stage, if the Company were not able to obtain additional sources of income through sales of its products, the Company may need to obtain additional financing or debt to continue to meet its obligations and generate sufficient cash to meet its operating expenses in the future.

Financial Risk Management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. Management identifies and evaluates the financial risks and is charged with the responsibility of establishing controls and procedures to ensure the financial risks are mitigated in accordance with the approved policies.

Measurement uncertainty and impairment assessments

As of September 30, 2015, management of the Company has determined that while no impairment indicators of its assets were present, no additional impairment write-downs in excess of those that had been previously recorded were required. Management continues to review each of its assets for impairment.

Transactions with Related Parties

The balances due to related parties, with the exception of the demand loan owing to Sciences, are unsecured, non-interest bearing and have no specific terms of repayment.

A director was engaged to provide consulting services to the Company from May 2014 until August 2015. The total expense for the nine months ended September 30, 2015 was $40,000 (2014 - $15,250).

In April 2015, the incoming directors were granted a total of 1,500,000 options at an exercise price of $0.45, with an expiry date of April 25, 2020 and immediate vesting. The two directors that stepped down surrendered 125,000 options each.

During the quarter ended September 30, 2015, the Company entered into a loan agreement with Sciences pursuant to which Sciences agreed to loan monies to the Company on a revolving basis, in amounts and at times agreed to by the parties. Amounts loaned to the Company bear interest at 5% per annum and will be repayable on demand. As of September 30, 2015, the Company owed Sciences $323,765 on this loan, including $600 in interest. In addition, as of September 30, 2015, the Botanicals owed $11,961 to Sciences for costs incurred on behalf of Botanicals.

Proposed Transactions

There are no material decisions by the Board of Directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

Critical Accounting Policies and Estimates

Included in Note 3 of the 2014 Audited Consolidated Financial Statements are the accounting policies and estimates that are critical to the understanding of the business operations and results of operations.

Accounting Policies and Changes in Accounting Standards not yet Effective

Changes to accounting policies and new policies added in the current year are included in Note 4 to the Interim Consolidated Financial Statements for the three and nine months ended September 30, 2015. Refer to Note 5 of the financial statements for additional information on several new standards, amendments to standards and interpretations, which are not effective yet, and have not been applied in preparing these consolidated financial statements but may affect the Company when applied in the future.

Commitments

On January 1, 2014, Botanicals assumed a lease for premises to conduct its operations, for the period January 1, 2014 to May 31, 2014. The Company renegotiated the lease at $4,750 per month for an initial term from June 1, 2014 to May 31, 2019 with an option to renew for an additional two, five year terms.

On September 1, 2014 the Company signed a lease for expansion premises to conduct its operations for an initial month-to-month period from November 1, 2014 to July 31, 2015, a second period from August 1, 2015 to October 31, 2015 and a third period from November 1, 2015 to October 31, 2019. Basic rent for the initial and second period was $26,552 per month plus additional rent of $9,221 per month to cover operating costs. The lease was terminated at the end of the second period, October 31, 2015.

On September 1, 2014, the Company retained an investor relations consulting firm to provide investor relations services on behalf of the Company. The Agreement is for a term of eighteen months and may be terminated by either party by giving 90 days' written notice of such termination. The Company will pay a monthly retainer fee of $7,500 and any reasonable pre-approved expenses incurred on behalf of the Company. Written notice of termination was provided and the agreement will end on December 31, 2015.

A director was engaged to provide consulting services to the Company at $5,000 per month from September 1, 2014 to August 31, 2015.

In connection with the termination agreement, the former CEO was retained by the Company as an independent outside consultant to provide consulting advice from time to time to the Company. The term of the consultancy commenced on February 1, 2015 and will end on January 31, 2016 (the "Consultancy Period"). In consideration for this consultancy, the Company will pay a consulting fee of $10,000 per month, for the Consultancy Period. Stock options previously granted to the CEO will remain exercisable during the consultancy period.

				Due by year ending		
	Total	**2015**	**2016**	**2017**	**2018**	**2019 and thereafter**
Production facility	$ 209,000	$ 14,250	$57,000	$57,000	$57,000	$23,750
Investor relations	22,500	22,500	-	-	-	-
Consulting services	40,000	30,000	10,000	-	-	-
	$ 271,500	$ 66,750	$67,000	$57,000	$57,000	$23,750

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Disclosure Controls and Procedures

During the reporting period ended September 30, 2015 there has been no significant change in the Company's internal control over financial reporting since last reporting period.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make.

The management of the Company has filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com. In contrast to the certificate under National Instrument ("NI 52-109") (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risks and Uncertainties

Investment in the common shares of the Company must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development. The following is a non-exhaustive list of the risk factors associated with the Company:

Reliance on Licence

Botanicals' ability to grow, store and sell medical marijuana in Canada will be dependent on the Licence from Health Canada. Failure to comply with the requirements of the Licence or any failure to maintain this Licence would have a material adverse impact on the business, financial condition and operating results of Botanicals and the Resulting Issuer. The Licence was renewed on November 6, 2015 for a twelve month period ending November 7, 2016. Although Botanicals believes it will meet the requirements of the MMPR for further extensions or renewals of the Licence, or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence or should it renew the Licence on different terms, the business, financial condition and results of the operation of Botanicals and the Company would be materially adversely affected.

Regulatory Risks

The activities of Botanicals 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 Botanicals and the Company.

Change in Laws, Regulations and Guidelines

Botanicals' operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While, to the knowledge of Botanicals' management, Botanicals is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of Botanicals may cause adverse effects to Botanicals' operations.

Limited Operating History

Botanicals was incorporated in 2013 and has yet to generate significant revenue. Botanicals and the Company are therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on a Single Facility

To date, Botanicals' activities and resources have been primarily focused on its first facility in British Columbia and Botanicals will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on the Companies business, financial condition and prospects.

The facility requires regular maintenance on both the heating and cooling systems and regular power component maintenance on the generator and delivery systems. Failure of the heating and cooling systems or electrical delivery systems can have a material and adverse effect of the Company's business, financial condition and prospects.

Botanicals is currently planning an expansion into a second production facility which will require licensing by Health Canada and significant investment of capital. Neither the licensing nor the availability of capital are assured.

Reliance on Management

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

Factors which may Prevent Realization of Growth Targets

Botanicals is currently in the early development stage and its growth strategy contemplates outfitting its production facility with additional production resources. 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 Botanicals may not have product or sufficient product available for shipment to meet future demand when it arises.

Financial Losses

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

Additional Financing

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

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

Competition

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

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

Risks Inherent in an Agricultural Business

Botanicals' business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Botanicals 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

Botanicals' medical marijuana growing operations consume considerable energy, making Botanicals and the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions

Due to the perishable and premium nature of Botanicals' products, Botanicals will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of Botanicals and the Company.

Rising costs associated with the courier services used by Botanicals to ship its products may also adversely impact the business of Botanicals and the Company and their ability to operate profitably.

Unfavourable Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of Botanicals' products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Botanicals' products and the business, results of operations, financial condition and cash flows of Botanicals and the Company. Botanicals' 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 Botanicals and the Company, the demand for Botanicals' products, and the business, results of operations, financial condition and cash flows of Botanicals and the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or Botanicals' products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, Botanicals 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 Botanicals' 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 Botanicals' products alone or in combination with other medications or substances could occur. Botanicals and the Company may be subject to various product liability claims, including, among others, that Botanicals' 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 Botanicals could result in increased costs, could adversely affect Botanicals' reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and the financial condition of Botanicals and the Company. There can be no assurances that Botanicals 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 Botanicals' 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 Botanicals' products are recalled due to an alleged product defect or for any other reason, Botanicals could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Botanicals 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 Botanicals 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 Botanicals' significant brands were subject to recall, the image of that brand and Botanicals the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Botanicals' products and could have a material adverse effect on the results of operations and financial condition of Botanicals and the Company. Additionally, product recalls may lead to increased scrutiny of Botanicals' operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

Botanicals' 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 Botanicals and the Resulting Issuer. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Botanicals might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Botanicals in the future. 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 Botanicals and the Company.

Dependence on Suppliers and Skilled Labour

The ability of Botanicals and 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 Botanicals 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 Botanicals' capital expenditure program may be significantly greater than anticipated by Botanicals' management, and may be greater than funds available to Botanicals and the Company, in which circumstance Botanicals may curtail, or extend the time frames for completing its capital expenditure plans. This could have an adverse effect on the financial results of Botanicals and the Company.

Difficulty to Forecast

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

Operating Risk and Insurance Coverage

Botanicals has insurance to protect its assets, operations and employees. While Botanicals 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 Botanicals is exposed. In addition, no assurance can be given that such insurance will be adequate to cover Botanicals' liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Botanicals were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Botanicals 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 of Botanicals and the Company could be materially adversely affected.

Exchange Restrictions on Business

As part of its conditional approval approving the RTO, the Exchange required that the Company deliver an undertaking confirming that, while listed on the Exchange, the Company will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Licence. This undertaking could have an adverse effect on Botanicals' ability to export marijuana from Canada and on the Company's ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company from expanding into new areas of business when the Company competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Management of Growth

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

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 Botanicals and the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Botanicals and 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

The Company is listed on the Exchange, however, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and Employee Health and Safety Regulations

Botanicals' 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. Botanicals 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 Botanicals' operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Botanicals and the Company.

A Substantial Number of Common Shares are Owned by a Limited Number of Existing Shareholders

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares (on a fully diluted basis). As such, the Company's management, directors, co-founders and employees, as a group, each are in a position to exercise influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions. As well, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders, including the election and removal of directors, amendments to the Company's corporate governing documents and business combinations. The Company's interests and those of individuals holding substantial numbers of common shares may at times conflict, and this conflict might be resolved against the Company's interests. The concentration of control by a small number of individuals may practically preclude an unsolicited bid for the Company's common shares, and this may adversely impact the value and trading price of the common shares.

Future Sales by Significant Shareholders

Following release of shares from the resale restrictions imposed by the terms of escrow agreements, should the individuals holding substantial numbers of common shares determine to act in concert and sell their shares, the market price of the common shares may fall. This could result from the pressure on the market caused by such sales, or from concern that the sales signify problems in the Company's operations, or from some combination of the two. Mitigating this risk to some extent, though in no way eliminating it, is the fact that approximately 58.9% of the common shares are subject to surplus escrow agreements and releasable in tranches of 5% upon the date of completion of the private placement financing (“Closing”), 5% six months from the date of Closing, 10% 12 months from the date of Closing, 10% 18 months from the date of Closing, 15% 24 months from the date of Closing, 15% 30 months from the date of Closing and 40% 36 months from the date of Closing, subject to the condition that no common shares shall be released from surplus security escrow until the Company has received an amended licence to sell medical marijuana.