EMERALD HEALTH THERAPEUTICS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2018

Dated: August 29, 2018

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Forward-Looking Statements

Certain statements contained in this Management Discussion and Analysis ("MD&A") constitute forward-looking information or forward-looking statements under applicable securities laws (collectively, "forward-looking statements"). These statements relate to future events or future performance, business prospects or opportunities of Emerald Health Therapeutics, Inc. and its subsidiaries (together the "Company" or "Emerald"). All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "forecast", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Examples of forward-looking statements in this MD&A include, but are not limited to, statements in respect of: the Company's intention to significantly increase its production of cannabis and cannabis oils through a multi-phase expansion plan; the building of a Health Canada licensed production facility to expand growing capability; the conversion to cannabis production of the 1.1 million-square foot (25-acre) greenhouse facility located on a 50-acre parcel of land in Delta, British Columbia (with ancillary buildings) by Village Farms International Inc. ("Village Farms") to Pure Sunfarms Corp. ("Pure Sunfarms"), the Company's joint venture with Village Farms; the exercise by Pure Sunfarms to lease or purchase additional greenhouses from Village Farms; the expansion of the Company's 500,000 square foot greenhouse in Metro Vancouver, British Columbia; the purchase by the Company of 40% of Pure Sunfarms' production in 2018 and 2019; the payment of an additional $22.5 million in cash in respect of the acquisition of 8611165 Canada Inc. and its affiliate 9353-8460 Quebec Inc. (together "Agro-Biotech") and the planned expansion and production of Agro-Biotech; the investment by the Company of $5.0 million for a 51% ownership of 1160305 B.C. Ltd., to be renamed Emerald Health Naturals Inc. ("EHN"); the grant by Emerald Health Bioceuticals, Inc. ("EHB") to EHN of the exclusive Canadian distribution rights to EHB's product line for 49% ownership of EHN; the expansion of Northern Vine Canada Inc.'s ("Northern Vine") operations; the development of a foundational blockchain-based supply chain management system and e-commerce marketplace for the legal cannabis industry; the entering into of a definitive agreement with Namaste Technologies Inc. to collaborate on strategic business opportunities worldwide and develop a fully integrated e-commerce platform to serve as a retail channel for the Company's patients; potential proceeds from the exercise of the Company's outstanding common share purchase warrants; increasing the Company's plant diversity and product offering; improving the Company's cultivation, manufacturing and standardization processes; partnerships with professional organizations in connection with educating medical service providers about medical cannabis products; the development of distribution channels for non-medical cannabis products in Canada; the commencement of the legal adult use cannabis sales in Canada in October 2018; potential effects of regulations under the Cannabis Act and legislation introduced by provincial governments; the Company communicating with medical doctors and other healthcare professionals and providing the best education and services to these professionals; the Company undertaking clinical research to study the effects of its products on client health; the Company's longer term strategy of becoming a leading provider of quality products for the broader adult recreational cannabis market; the Company being able to take advantage of the legalization of adult use recreational cannabis when it occurs; the Company being well positioned to serve the adult use recreational cannabis market across Canada when the Cannabis Act is enacted through partnerships and acquisitions; the Company's intentions to acquire and/or construct additional cannabis production and manufacturing facilities and to expand the Company's marketing and sales initiatives; the Company achieving production at Pure Sunfarms' facility in the near term; and benefits received by the Company from its transactions with Emerald Health Sciences Inc. ("Sciences"), a control person of the Company, and the opportunities that such transactions provide; rapid production capacity expansion; the production gap for medical and non-therapeutic adult-use cannabis; building valuable intellectual property in Canada which could lead to accelerated sales growth and profit margins; and future sales opportunities in other emerging medical markets and the effect that each risk factor will have on the Company.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The reader of these statements is cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties relating to, among others: market price of cannabis; continued availability of capital financing and general economic, market or business conditions; reliance on cultivation, production and sales licences to produce and sell medical cannabis and cannabis oils issued to the Company under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and its ability to maintain these licences; regulatory risks relating to the Company's compliance with the ACMPR; regulatory approvals for expansion of current production facility, development of new production facilities and greenhouse retrofits by the Company and Pure Sunfarms; Pure Sunfarms' reliance on its licence to cultivate cannabis issued to it under the ACMPR and its ability to maintain this licence; Northern Vine's reliance on its dealer licence to provide analytical testing of cannabis and production of Cannabidiol ("CBD") oil issued to it under the ACMPR and its ability to maintain this licence; the Company's ability to execute its multi-phase expansion plan and its plans with Pure Sunfarms; the Company's ability to execute a definitive agreement with Namaste and establish a joint venture; the Company's ability to execute a definitive agreement with Factors R&D Technology, Inc.; changes in laws, regulations and guidelines relating to medical cannabis including the adoption of the Cannabis Act, the implementation of provincial and territorial legislation related to the Cannabis Act and changes to the Excise Tax Act by the federal government of Canada; changes in government; changes in government policy; increased competition in the cannabis market; the limited operating history of the Company; the Company's reliance on key persons; difficulties in securing additional financing; unfavourable publicity or consumer perception of the cannabis industry; the impact of any negative scientific studies on the effects of cannabis; difficulties in construction or in obtaining qualified contractors to complete greenhouse retrofits; actual operating and financial performance of facilities, equipment and processes relative to specifications and expectations; results of litigation; the Company's ability to develop and commercialize pharmaceutical products; failure to obtain regulatory approval for pharmaceutical products; changes in the Company's over-all business strategy; and restrictions of the TSX Venture Exchange on the Company's business. See "Risks and Uncertainties" in this MD&A and other factors described in the Company's Annual Information Form under the heading "Risk Factors".

The Company believes that the expectations reflected in any forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. Actual results may differ materially from those expressed or implied by such forward-looking statements.

Management's Discussion and Analysis

The following MD&A is prepared as of August 29, 2018 is intended to assist the understanding of the results of operations and financial condition of the Company.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the three and six months ended June 30, 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The reader should also refer to the audited financial statements and MD&A for the year ended December 31, 2017. 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.emeraldhealth.ca. Other information related to the Company, including the Company's most recent Annual Information Form ("AIF") and financial statements referred to herein are available on the Canadian Securities Administrator's website at www.sedar.com.

Overview

The Company is a publicly traded company with headquarters in Victoria, British Columbia, Canada. Common shares of the Company (the "Common Shares") are listed on the TSXV under the trading symbol "EMH". The Company is classified as a Tier 1 Venture Issuer on the TSXV. The Company also trades on the OTCQX® Best Market, operated by OTC Markets Group under the ticker symbol "EMHTF", and on the Frankfurt Exchange, under the symbol "TBD".

The subsidiaries and joint ventures of the Company at June 30, 2018 are:

Name of entity	Ownership
8611165 Canada Inc.	100%
9353-8460 Quebec Inc.	100%
Emerald Health Therapeutics Canada Inc. (formerly Emerald Health Botanicals)	100%
Pure Sunfarms Canada Inc.	100% (1)
Northern Vine Canada Inc.	65%
Pure Sunfarms Corp.	50%

Note:
(1) Pure Sunfarms has an option to acquire at any time 100% of the common shares of Pure Sunfarms Canada Inc. from the Company.

Through its operations, subsidiaries, and joint venture the Company plans to meet the current needs of the Canadian legal cannabis market and future demand in the therapeutic and non-therapeutic adult use market based on three pillars: 1) Product innovation; 2) Branding and Sales; 3) Production and raw material sourcing.

Recent Developments and Events after the Reporting Period

Legalization of cannabis

On June 21, 2018 Bill C-45 received Royal Assent enacting the *Cannabis Act* and providing legal access to cannabis and to control and regulate its production, distribution and sale in Canada. On October 17, 2018 cannabis will be available to be purchased legally for adult use, in addition to medical purposes, in Canada.

Canada is the first G7 country to federally legalize cannabis for medicinal and recreational use.

Many aspects regarding the distribution, sale and taxation of non-medical cannabis will be subject to provincial and municipal jurisdiction. The Company is currently preparing for the various governing regulations including packaging, product specifications, and distribution requirements and anticipates being regulatory compliant when legal adult use sales commence in Canada.

Cannabis Sales Agreements – Adult-use Markets

In July 24, 2018 the Company signed a Memorandum of Understanding ("MOU") with the British Columbia Liquor Distribution Branch ("BCLDB") to supply the Company's high-quality cannabis products to the BCLDB to serve the adult-use market throughout the British Columbia.

The Company continues discussions with other provinces and expects to announce additional supply commitments in 2018. As with British Columbia, our focus is not on how quickly we can enter into supply agreements, but to ensure achievement of terms that provide the best long-term return for the Company and its shareholders.

Expansion projects

The Company's joint venture, Pure Sunfarms continues to move towards achieving its goal of large-scale, high-quality, low-cost cannabis production. On July 27, 2018, Pure Sunfarms received its cannabis sales licence from Health Canada. Additional space continues to be developed for cannabis production at the Pure Sunfarms' 1.1 million-square foot (25-acre) greenhouse facility located on a 50-acre parcel of land in Delta, British Columbia ("Delta 3"), with the entire 1.1 million square foot Delta 3 site expected to be in production in 2019.

On August 21, 2018, the Company announced that Mandesh Dosanjh has been appointed President and Chief Executive Officer of Pure Sunfarms. Mr. Dosanjh joins Pure Sunfarms in October 2018 following his role as Senior Vice President, Supply Chain and Wholesale, at the Liquor Control Board of Ontario where he led LCBO's supply chain division as the LCBO prepared for the legalization of adult-use cannabis. Under his leadership, Pure Sunfarms will continue to develop as a stand-alone entity focused on the cultivation, processing and sale of cannabis products in order to maximize the return on investment of its shareholders. Neither its joint venture partner, Village Farms International, Inc. ("Village Farms") or the Company individually controls Pure Sunfarms. As Pure Sunfarms develops its business infrastructure it will become increasingly independent of its shareholders and the Company and Pure Sunfarms will, in certain instances, operate as healthy competitors. Each will be free to enter into its own sales arrangements and bring to market products of its choosing under its respective brand identity.

The combination of Emerald's cannabis experience with Village Farms' experience being a leading North American greenhouse produce grower, is expected to optimize the path to rapidly and cost effectively accelerate large scale, high quality, low cost Canadian cannabis production. It is estimated that the Delta 3 greenhouse will yield more than 75,000 kg of dried cannabis annually upon completion of conversion and licensing.

Pure Sunfarms also holds options to lease or purchase from Village Farms a second 1.1 million square foot (25 acre) greenhouse ("Delta 2") and a 2.6 million square foot (60 acre) greenhouse ("Delta 1"). Both Delta 2 and Delta 1 are located adjacent to Delta 3. Combined, these three greenhouse assets provide Pure Sunfarms with a total potential aggregate production capacity of up to 4.8 million square feet (110 acres).

The Company continues to focus on its second expansion project, the building of a 500,000 square foot greenhouse in Metro Vancouver, British Columbia. The Company has experienced delays in obtaining required permitting for this project.

Supply Agreements

On April 30, 2018 the Company entered into a supply agreement with Pure Sunfarms whereby the Company has agreed to purchase 40% of Pure Sunfarms' production in 2018 and 2019, at a set price per gram.

This agreement secures a significant source of cannabis for the Company as it endeavours to become an important supplier of high-quality cannabis and value add cannabis products in the anticipated legalized adult-use cannabis market. It also provides Pure Sunfarms with a certainty of sales at known prices for a substantial portion of its production while it builds out its sales and marketing capabilities.

Acquisitions

On May 2, 2018 the Company acquired 100% of the issued and outstanding shares of 8611165 Canada Inc. and its affiliate 9353-8460 Quebec Inc. (together "Agro-Biotech"), and the shareholder loans payable by Agro-Biotech, for total consideration of $90.0 million, subject to adjustment, payable 50% in cash and 50% in Common Shares (the "Purchase Price"). The Company paid $22.5 million in cash upon closing and $45.0 million was satisfied by the issuance of 9,911,894 Common Shares, of which 4,955,947 Common Shares will be held in escrow until May 1, 2019, pursuant to an escrow agreement. An additional $22.5 million in cash is payable on May 1, 2019.

Until such time as the remaining $22.5 million cash payment is made, 21,491,602 shares, being equal to 25% of the outstanding 8611165 Canada Inc. shares, and 750 shares, being equal to 25% of the outstanding 9353-8460 Quebec Inc. shares will be held in escrow.

Agro-Biotech is a Licenced Producer under the ACMPR. Located in Saint-Eustache, Quebec. Agro-Biotech's assets include land and a 75,000 square foot indoor grow facility. The acquisition will increase the Company's growing capacity and strengthen its ability to market its products in Eastern Canada and nationwide.

The indoor hydroponic growing facility, which has access to low-cost energy and water, will be capable of high-yield production of Emerald's unique cannabis strains, several of which are currently being grown in Agro-Biotech's facility. Agro-Biotech's experience in cannabis cultivation complements Emerald's downstream product development focus, which is backed by its depth of pharmaceutical industry R&D and clinical development expertise, and consumer packaged goods and alcohol beverage marketing experience.

Agro-Biotech has built out 20,000 square feet of this facility to date and Emerald expects to have the remainder of the 75,000 square foot facility equipped to produce high quality dried cannabis flower and be fully operational by early 2019. Full production capacity at this facility is estimated at 5,000 to 7,000 kg annually. With the introduction of legalized recreational cannabis in Canada in October 17, 2018, Emerald's acquisition of Agro-Biotech expands its capacity to meet increased consumer demand in the final quarter of 2018.

On April 24, 2018, a statement of claim (the "Claim") was served on Agro-Biotech and its former shareholders by Pivot Pharmaceuticals Inc. ("Pivot"), a party with whom Agro-Biotech and its former shareholders had previously entered into a non-binding letter of intent with respect to a potential sale of Agro-Biotech. The Claim seeks to recover $72.4 million in damages for loss of profits allegedly suffered as result of the bad faith and lack of cooperation by Agro-Biotech and its shareholders in the negotiations surrounding the contemplated acquisition by Pivot of Agro-Biotech. The Company believes the Claim is without merit and intends to defend the Claim to the fullest extent possible. See "*Risk and Uncertainties - Current Litigation relating to Agro-Biotech Acquisition*".

Emerald Health Naturals Inc.

On April 17, 2018 the Company entered into a binding agreement with EHB (a company related by common ownership), 1160305 BC Ltd., GAB Innovations, Inc. and Dr. Gaetano Morello, a director of Sciences, with respect to the formation of EHN (the "Formation Agreement"). Subject to regulatory approval, the Company has agreed to invest $5.0 million for 51% ownership of EHN and EHB will grant EHN the exclusive Canadian distribution rights to EHB's product line for 49% ownership of EHN. EHB's product line consists of nutritional supplements, which use non-cannabis, non-psychoactive plant-based ingredients to provide potentially beneficial support to the body's endocannabinoid system. The TSXV has given conditional approval to the transaction subject to receipt and review of material agreements and news release.

Subsequent to this agreement, the Company signed a term sheet to form a strategic alliance with Factors R&D Technology, Inc. ("FTI"), described below, which includes a provision for EHN to issue shares to FTI representing 25% of its issued share capital. This share issue is expected to reduce the Company's future ownership of EHN to 38%.

The Formation Agreement launches the Company's multi-pronged program to market and sell a proprietary, award-winning non-cannabis line of endocannabinoid-supporting nutritional products in Canadian grocery, natural health product, and pharmacy stores.

Market research commissioned by the Company identified that approximately 6 of 10 current legal cannabis users also use natural health products. This strong consumer overlap between the two markets creates a unique opportunity for the Company to establish its health brand and begin sales of endocannabinoid-supporting products in natural health product channels. These channels are not currently authorized to sell cannabis under the Cannabis Act. If these channels are approved in the future, the Company will be well positioned to leverage its brand and channel presence to introduce its cannabis-based products into these channels.

Factors R&D Technology, Inc.

On August 27, 2018 the Company signed a term sheet to form a strategic alliance with FTI, in which FTI will provide pharmaceutical-grade, industrial-scale manufacturing capacity as well as expertise in GMPlevel extraction, softgel production, and packaging. FTI will provide the Company with access to a facility capable of processing up to 1 million kg of biomass annually and softgel production capacity of up to 600 million capsules per year. The Company will pay an initial $5 million fee to FTI to cover the initial costs of transition to cannabis extraction.

The term sheet also provides that FTI will enter into an exclusive agreement with EHN (described above). This will enable the companies to collaborate on product innovation, marketing, and distribution strategies to provide a range of products containing cannabinoids, where legal, and other herbal formulations to support the human endocannabinoid system to the Canadian and global health products market. The collaboration will initially focus on manufacturing, distribution, and sales of EHN's current product line. As part of this arrangement, EHN will issue shares to FTI representing 25% of its issued share capital.

The term sheet is non-binding and the strategic alliance is subject to the negotiation and execution of definitive agreements. The strategic alliance and related activities are also subject to obtaining all necessary regulatory approvals.

Northern Vine Canada Inc.

On May 15, 2018 the Company exercised its right to purchase additional common shares of Northern Vine issued from treasury, increasing its ownership of Northern Vine to 65% for $2.75 million.

On August 15, 2018 the Company increased its ownership in Northern Vine to 100% by purchasing all of the shares of Northern Vine held by Abattis Bioceuticals Corp ("Abattis"). The Company paid Abattis $2.0 million in cash and issued 1,093,938 common shares of the Company.

The Company will pay Abattis a milestone payment of common shares of the Company, valued at $4.0 million, if Northern Vine and/or the Company receive gross revenue of $10 million from the sale of products or services introduced by Abattis within thirty-six months ended August 2021.

Northern Vine continues to focus on developing its laboratory services for the cannabis industry and expanding its operations in oil extraction.

Namaste Technologies Inc.

On January 30, 2018 the Company and Namaste signed a non-binding letter of intent whereby the Company and Namaste propose to enter into a definitive agreement to collaborate on strategic business opportunities worldwide and develop a fully integrated e-commerce platform to serve as a retail channel for the Company's patients.

Financings

In January, February and May 2018, the Company completed financings that resulted in total gross proceeds from unit issuances and warrant exercises of $67.8 million (net proceeds – $67.5 million) and has the potential to a raise an additional $41.8 million if the remaining outstanding warrants from these financings are exercised prior to expiry. The Company intends to use the proceeds of the financings to fund the completion of capital projects and potential future expansion and acquisitions, including partnership transactions, for research and development, to expand the Company's existing extraction capabilities, and for working capital and general corporate purposes.

On May 22, 2018 the Company closed a prospectus sale to a single Canadian institutional accredited investor (the "Investor") of 4,000,000 units pursuant to a supplement dated May 16, 2018 to the Company's base shelf prospectus at a price per unit of $4.20 for gross proceeds of $16.8 million. Each unit consists of one Common Share and one common share purchase warrant of the Company. Each warrant is exercisable into one Common Share for a period of eighteen months at a price of $5.20 per Common Share with an expiry date of November 22, 2019. In the event that the closing price of the Common Shares on the TSX Venture Exchange or such other principal stock exchange on which the Common Shares are then listed is greater than $6.50 per Common Share for a period of twenty consecutive trading days at any time after the closing on the prospectus sale, the Company may accelerate the expiry date of the warrants by giving notice to the warrant holders and in such case, the warrants will expire on the 30th day after the date on which notice is given by the Company.

On February 14, 2018 the Company closed a prospectus sale to the Investor of 3,000,000 units pursuant to a supplement dated February 9, 2018 to the Company's base shelf prospectus at a price per unit of $6.00 for gross proceeds of $18.0 million. Each unit consists of one Common Share and one common share purchase warrant of the Company. The warrants expired, unexercised, on August 13, 2018.

On January 9, 2018 the Company closed a prospectus sale to the Investor of 3,000,000 units pursuant to a supplement dated January 5, 2018 to the Company's base shelf prospectus at a price per unit of $5.00 for gross proceeds of $15.0 million. Each unit consists of one Common Share and one common share purchase warrant of the Company. Each warrant was exercisable into one Common Share for a period of three years at a price of $6.00 per Common Share with an expiry date of January 9, 2021, subject to acceleration. On February 15, 2018 the 3,000,000 warrants were exercised for total gross proceeds of $18,000,000.

Research and development

The Company's research and development team has been continuing its work to increase plant diversity, as well as improving on its cultivation, manufacturing, and standardization processes in anticipation of a significant scale up. In addition, the Company continues to develop its product offerings.

Sales and distribution

The Company remains committed to supplying medical clients with access to high quality medical cannabis under the ACMPR and, in partnership with other professional organizations, the Company intends to continue to communicate with medical doctors and other healthcare professionals, and to provide education and services to these professionals about medical cannabis products.

The Company's strategy also includes becoming a leading provider of high quality, low cost products for the broader cannabis market. The Company believes it is well positioned to benefit from the legalization of non-medical cannabis in Canada.

In April 2018 the Company engaged DDB Canada as its agency of record. DDB Canada will work to launch various brand initiatives and scale the Company's marketing communication efforts based on both domestic and global growth plans.

The Company's sales and marketing team continues to work with the provinces as they develop the distribution channels for non-medical cannabis products across Canada.

Disclosure of Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of Common Shares of which 135,477,506 were issued and outstanding as of June 30, 2018 and 136,676,999 were issued and outstanding as of August 29, 2018, of which 4,955,947 will be held in escrow until May 1, 2019.

During the six months ended June 30, 2018, the Company granted an aggregate of 1,025,000 stock options to directors, employees and consultants. Each option is exercisable into one Common Share for a period of up to five years. The exercise prices at the time of the grants ranged from $3.69 and $6.68 per share. Subsequent to the period ended June 30, 2018, the Company granted an additional 782,500 stock options, with exercise prices between $2.49 and $4.30. These options vest over three years with an expiry date five years from the grant date.

There were 10,297,591 stock options and 830,000 restricted share units outstanding as of June 30, 2018. As of August 29, 2018, there were 10,963,286 stock options and 830,000 restricted share units outstanding.

There were 11,411,764 warrants outstanding as of June 30, 2018. As of August 29, 2018, there were 8,411,764 warrants outstanding.

Summary of Quarterly Results

The financial information in the following tables summarize selected financial information for the Company for the last eight quarters which was derived from annual financial statements prepared in accordance with IFRS or interim financial statements prepared in accordance with IFRS applicable to the preparation of interim financial statements, *IAS 34, Interim Financial Reporting*:

	2018		**2017**	
	June 30 ($)	**March 31 ($)**	**December 31 ($)**	**September 30 ($)**
Revenue	284,262	373,218	279,362	211,316
Share-based payments	2,081,661	1,954,047	1,979,553	271,968
Interest revenue	274,436	250,064	43,024	60,997
Share of income (loss) from joint venture	682,431	(301,793)	(44,562)	(278,016)
Net Loss	(5,610,970)	(5,045,420)	(4,027,569)	(1,939,371)
Net Loss per share (basic and diluted)	(0.04)	(0.04)	(0.04)	(0.02)

	2017		2016	
	June 30 ($)	March 31 ($)	December 31 ($)	September 30 ($)
Revenue	245,708	201,268	124,251	48,933
Share-based payments	369,788	201,186	137,113	467,878
Interest Revenue	57,497	-	-	-
Net Loss	(1,669,026)	(1,205,858)	(880,424)	(1,009,841)
Net Loss per share (basic and diluted)	(0.02)	(0.02)	(0.01)	(0.02)

Results of Operations

Quarter ended June 30, 2018

The net loss for the quarter ended June 30, 2018 was $5.6 million (loss of $0.04 per share), compared to the net loss of $1.7 million (loss of $0.02 per share) for the same quarter in the prior year. Diluted loss per share is the same as basic loss per share as the outstanding options and warrants have an anti-dilutive effect on the loss per share.

Factors contributing to the net loss for the three-month period ended June 30, 2018 include the following:

Revenue

Revenue for the quarter ended June 30, 2018 was $284,262 compared to $245,708 for the same period in the prior year. The Company had a larger client base and a greater percentage of sales from oils in the current period resulting in an increase in revenue compared to the prior year. For the quarter ended June 30, 2018, revenue was comprised of approximately 48% dried product, 50% oils and 2% other, compared to approximately 67% dried product and 32% oils and 1% other in the quarter ended June 30, 2017.

Cost of goods sold

Cost of goods sold currently consists of three main categories: (i) cost of goods sold expensed to inventory (ii) production costs, and (iii) change in the fair value of biological assets.

Cost of sales represents the deemed cost of inventory that arose from the fair value measurement of biological assets, subsequent post-harvest costs capitalized to inventory, purchased dried cannabis, costs to produce cannabis oils capitalized to inventory (including the deemed cost of dried inventory that arose from the fair value measurement of biological assets that were used to produce cannabis oils), and packaging costs. Cost of goods sold expensed to inventory for the quarters ended June 30, 2018 and June 30, 2017 was $249,761 and $190,806 respectively. The increase in cost of goods sold in the current period is due to the increase in the amount of product sold by the Company and also to the increase in inventory value of products sold, resulting in a lower margin of revenue over cost of goods sold.

Production costs include all direct and indirect production related costs, including security, compliance, quality control and quality assurance costs, as well as related overhead. In addition, all inventory costs in excess of net realizable value are expensed to production costs. In the quarter ended June 30, 2018, the

Company incurred production costs of $548,269 versus $158,532 in the quarter ended June 30, 2017. The increase is due to more plants cultivated in the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. In addition, production processes and staffing level modifications initiated during the quarter ended June 30, 2018 in anticipation of the adult-use market resulted in increased production costs when compared to the three months ended June 30, 2017.

Changes in the fair value of biological assets is part of the Company's cost of goods sold due to IFRS standards relating to agriculture and biological assets (i.e. living plants or animals). This line item represents the change in fair value in biological assets (cannabis plants and seeds) during the period. The change in biological assets for the quarter ended June 30, 2018 was a gain of $978,893 compared to a gain of $53,985 in the same quarter in the prior year. The increase is due to the number of plants growing at the Agro-Biotech facility during the three months ended June 30, 2018.

Total gross margin is impacted significantly by the change in fair value for biological assets and the production cycle of those biological assets, resulting in an improvement in gross margin for the three months ended June 30, 2018 of $465,125, compared to the three months ended June 30, 2017 of $(49,645). Gross margin was also positively impacted by production volumes at the recently acquired Agro-Biotech site in the current period.

Other expenses

General and Administrative – During the quarter ended June 30, 2018 the Company incurred general and administrative expenses of $3.3 million versus $1.1 million for the quarter ended June 30, 2017. The current quarter included expenses related to a significant increase in activities including corporate branding, business development, media, and project management to prepare for the anticipated legal adult use market. Additional staff have been hired and office space has been expanded. In the quarter ended June 30, 2018, general and administrative costs included; salaries and benefits of $652,460 (three months ended June 30, 2017 - $197,198), consulting and professional services fees of $1,735,264 (three months ended June 30, 2017 - $423,481), corporate branding and media $445,273 (three months ended June 30, 2017 - $183,480), office and insurance of $389,496 (three months ended June 30, 2017 - $154,873) and travel and accommodation of $122,084 (three months ended June 30, 2017 - $101,070). Included in consulting and professional service fees, for the quarter ended June 30, 2018, are $1,050,000 in management fees to Sciences as per the amended agreement effective January 2018, see discussion of the management agreement with Sciences under "Transactions with Related Parties."

Sales and marketing – In the quarter ended June 30, 2018, the Company incurred sales and marketing expenses of $868,943 versus $112,031 in the comparable 2017 prior period. The current period increase reflects the increase in sales and marketing activity as the Company works towards branding the Company and launching products in anticipation of the legal adult use market.

Research and development – In the quarter ended June 30, 2018, the Company incurred research and development expenses of $83,409 (three months ended June 30, 2017 - $93,402). Research and development projects in the current quarter include development and testing of processes to manufacture new products and designing clinical trials. The prior period included research on cannabis oils and early stage planning for clinical trials.

Share-based compensation – In the quarter ended June 30, 2018, the Company incurred share-based compensation expenses of $2,081,661 versus $369,788 in the comparable 2017 prior period. The amounts are compensation expenses related to employee, director and consultant incentive stock options and restricted share units which are measured at fair value at the date of grant and expensed over the vesting period. During the current quarter, the Company granted 330,000 stock options to employees and consultants. The increase in the share-based compensation expense is due to a significantly larger number of granted and outstanding options as at June 30, 2018 then there were as at June 30, 2017.

Share of income from joint venture – In the quarter ended June 30, 2018, the Company recognized $682,431 as its 50% share of the income from the Pure Sunfarms joint venture, which commenced operations during the three months ended September 30, 2017. Pure Sunfarms has begun producing cannabis for sale and received its cannabis sales licence from Health Canada on July 27, 2018.

Year to date June 30, 2017

The net loss for the six-months ended June 30, 2018 was $10.7 million (loss of $0.08 per share) compared to a net loss of $2.9 million (loss of $0.04 per share) for the same period in the prior year. Diluted loss per share is the same as basic loss per share as the outstanding options and warrants have an anti-dilutive effect on the loss per share. Factors contributing to the net loss for the current periods include the following:

Revenue

Revenue for the six-month period ended June 30, 2018 was $657,480 compared to $446,976 in the prior year as the Company's client based increased and a greater percentage of sales were from oils during the current year. For the year to date ended June 30, 2018, revenue was comprised of approximately 44% dried product, 54% oils and 2% other, compared to approximately 73% dried product and 26% oils and 1% other in the prior year to date ended June 30, 2017.

Cost of goods sold

Cost of goods sold increased in the current period compared to the same period in the prior year due to higher sales volumes and an increase in volumes produced in the current year.

Total gross margin is impacted significantly by the change in fair value for biological assets and the production cycle of those biological assets, resulting in an improvement in gross margin for the six months ended June 30, 2018 of $780,161, compared to the six months ended June 30, 2017 of $(89,145). Gross margin was also positively impacted by the number of plants growing at the recently acquired Agro-Biotech site in the current period.

Other expenses

General and Administrative – During the six-month period ended June 30, 2018, the Company incurred general and administration expenses of $6.0 million versus $1.9 million for the same period ended June 30, 2017. The year-to-date expenses included expenses related to a significant increase in activities including corporate branding, business development, media, and project management to prepare for the anticipated legal adult use market. Additional staff have been hired and office space has been expanded. For the six-month period ended June 30, 2018, general and administrative costs included; salaries and benefits of $1,034,071 (2017 - $342,887), consulting and professional services fees of $3,285,673 (2017 - $815,170), investor relations and media $793,042 (2017 - $297,793), office and insurance of $646,323 (2017 - $248,628) and travel and accommodation of $197,473 (2017 - $144,580).

Sales and marketing – For the six-month period ended June 30, 2018, the Company incurred sales and marketing expenses of $1,154,840 versus $204,200 in the comparable 2017 prior period. The current period increase reflects the increase in sales and marketing activity as the Company works towards branding the Company and launching products in anticipation of the legal adult use market.

Research and development – For the six-month period ended June 30, 2018, the Company incurred research and development expenses of $180,953 versus $136,564 in the comparable 2017 prior period. Research and development projects in the current year include development and testing of processes to manufacture capsules, exploration of other new products and planning for upcoming clinical trials.

Share-based compensation –Share-based compensation expense for the six-month period ended June 30, 2018 was of $4,035,708 compared to $570,974 in the comparable 2017 prior period. The amounts are compensation expenses related to employee, director and consultant incentive stock options and restricted share units which are measured at fair value at the date of grant and expensed over the vesting period. During the current year, the Company granted 1,025,000 stock options and 5,000 restricted share units to employees and consultants. The increase in the share-based compensation expense is due to a significantly larger number of granted and outstanding options as at June 30, 2018 then there were as at June 30, 2017.

Share of income from joint venture – In the six months ended June 30, 2018, the Company recognized $380,638 as its 50% share of the income from the Pure Sunfarms joint venture, which commenced operations during the three months ended September 30, 2017. Pure Sunfarms has begun producing cannabis for sale and received its cannabis sales licence from Health Canada on July 27, 2018.

Additional Disclosure for Venture Issuers Without Significant Revenue

As the Company did not have 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 June 30, 2018 ($)	**For the three months ended June 30, 2017 ($)**	**For the six months ended June 30, 2018 ($)**	**For the six months ended June 30, 2017 ($)**
Expensed research and development costs	**83,409**	$93,402	**180,953**	$136,564
General and administrative expenses	**3,344,578**	$1,060,103	**5,956,584**	$1,849,058
Purchase of plant and equipment	**2,653,387**	$643,990	**4,929,898**	$732,437

Liquidity and Capital Resources

The Company continually monitors and manages its cash flow to assess the liquidity necessary to fund operations. As at June 30, 2018, the Company had positive working capital of $52.0 million.

While the Company has incurred losses to date, management anticipates profitability of the business, though there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient gross margins to reach profitability.

The Company has committed to various projects which may require significant cash injections over the next 24 months, including the expansion of service and production facilities of Northern Vine, the Pure

Sunfarms retro-fit of Delta 3, and potential retro-fits of Delta 2 and Delta 1; the Company's new production facility in Metro Vancouver, British Columbia; and Agro-Biotech's indoor grow facility. As at June 30, 2018, the Company committed to payments of $1.6 million during the remainder of 2018 for the supply of material and labour to build greenhouses at the Metro Vancouver site.

On July 27, 2018 Northern Vine purchased the land and building it had previously leased for $956,000 plus applicable taxes.

On August 15, 2018, the Company expended $2.0 million under the agreement to purchase all of the shares of Northern Vine held by the Abattis.

Subsequent to June 30, 2018 the Company has made a demand loan in the amount of $8 million to Pure Sunfarms. See discussion of the demand loan to Pure Sunfarms under "Transactions with Related Parties."

The Company will pay an additional $22.5 million cash on May 1, 2019, under the Agro-Biotech purchase agreement.

The Company is committed to contributing $5.0 million cash to EHN in exchange for a 51% initial ownership in EHN.

Agro-Biotech has a mortgage held by National Bank of Canada, secured by the property held by 9353-8460 Quebec Inc. with a maturity date of February 2019. If the mortgage is not renewed in February 2019, the remaining balance of $2.5 million will be payable.

In addition, the Company has entered into operating lease commitments for land and office space through 2047. The future minimum lease payments for the next five years and thereafter are as follows:

	Due by year ending						
	Remainder of 2018	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Production facilities	$95,714	$152,117	$21,290	$-	$-	$-	$-
Equipment	$10,800	$21,600	$19,800	$-	$-	$-	$-
Office space	$47,880	$95,760	$39,900	$-	$-	$-	$-
Temporary housing	$37,800	$24,300	$-	$-	$-	$-	$-
Land	$160,000	$320,000	$320,000	$320,000	$320,000	$320,000	$7,440,000
Total	**$352,194**	**$613,777**	**$400,990**	**$320,000**	**$320,000**	**$320,000**	**$7,440,000**

Operating, Investing and Financing Activities

The chart below highlights the Company's cash flows:

	For the six months ended June 30, 2018 ($)	For the six months ended June 30, 2017 ($)
Net cash provided by (used in):		
Operating activities	($9,407,032)	($2,520,267)
Investing activities	($34,232,525)	($2,545,903)
Financing activities	$71,792,520	$38,009,075
Increase in cash	$28,152,963	$32,942,905

Cash used in operating activities for the six months ended June 30, 2018 was $9.4 million, compared to cash used of $2.5 million in the prior period. The current period amount reflects the increase in general and administrative expenditures, additional staff costs, the increase in sales and marketing expenditures, and cash outflows from payments of current liabilities and increase in current assets from the prior year ended December 31, 2017 and acquired balances during the six months ended June 30, 2018.

Cash used in investing activities for the six months ended June 30, 2018 was $34.2 million, compared to cash used of $2.5 million in the prior year. In the current period, $22.6 million was used to purchase Agro-Biotech $4.0 million was used to invest in the Pure Sunfarms joint venture transaction; $2.0 million was paid as a deposit for the greenhouse being built at the Metro Vancouver site; $4.8 million was used in construction of the new production facility at the Metro Vancouver site; and $0.8 million was used to purchase lab extraction and other equipment. The prior year the cash was used for investment in Pure Sunfarms and construction of the Metro Vancouver site.

Cash provided by financing activities for the six months ended June 30, 2018 was $71.8 million, compared to cash provided of $38.0 million in the prior period. Cash generated in the current period included $49.5 million from net proceeds received on the prospectus offerings completed in January, February and May 2018, $21.9 million received from warrant exercises, and $0.4 million from stock option exercises.

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 Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated in accordance with the approved policies.

Measurement uncertainty and impairment assessments

As of June 30, 2018, management of the Company has determined that no impairment indicators of its assets were present and 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 indications of impairment.

Transactions with Related Parties

The Company has transactions with a control person of the Company, a company controlled by the Company's Executive Chairman, a company whose CEO is also a director of the Company, and of Pure Sunfarms.

With Emerald Health Sciences Inc.

The Company entered into a management agreement with Sciences, a control person of the Company, in May 2015, which has subsequently been amended, most recently in January 2018, under which the Company pays Sciences $350,000 per month. The Company's relationship with Sciences allows it to advance the development of its business faster and with fewer resources than would otherwise be possible, and with the benefit of strategic guidance and expertise in the cannabis industry. Sciences is focused on the medicinal potential of cannabis and cannabinoids with investment goals designed to leverage the scientific rigor, federal regulatory compliance, and life-science expertise of its entire Emerald leadership group. Sciences draws upon a large network of professionals with life sciences related expertise, including corporate pharmaceutical and biotechnology management, business development, product development and marketing experience, research scientists, medical doctors, naturopathic doctors, and lawyers - many with deep subject matter expertise in cannabis and the endocannabinoid system - to leverage the Company's ability to conduct research and development, develop intellectual property, attract talent, manage operations, conduct mergers and acquisitions, and raise capital.

With access to these services, the Company has been able to identify and select new business opportunities, successfully negotiate and develop key strategic partnerships, and efficiently secure capital for the Company.

Sciences has been instrumental in the success of the January 2018, February 2018, and May 2018 financings. For each of these three financings, Sciences facilitated investment transactions amounting to gross proceeds of $67.8 million without broker or finder's fees. Management estimates that the fair value of fees avoided as a result of Sciences' involvement to be 5% of the gross proceeds, or approximately $3.4 million. Similarly, Sciences has also been instrumental in the successful acquisitions of Agro-Biotech ($90 million) and Northern Vine ($11.25 million). Management estimates that the equivalent value of typical M&A advisory services associated with such transactions that were instead provided by Sciences would have amounted to approximately 4% of the gross value of the transactions, or approximately $4.1 million.

Also in 2018, Sciences facilitated the negotiation of the supply agreement with Pure Sunfarms, the acquisition of Agro-Biotech, the acquisition of the non-controlling interest of Northern Vine, the development of binding agreement to create EHN, and the negotiation of the non-binding term sheet to form a strategic alliance with FTI.

Management periodically evaluates the terms of the management agreement for reasonableness and adjusts the fee based on that evaluation. Management believes that the fair value of the services provided by Sciences through the management agreement is in line with the current management fee.

During the six months ended June 30, 2018, Sciences exercised 4,077,687 warrants at a price of $0.27 per warrant for total gross proceeds to the Company of $1,100,975.

As at June 30, 2018, Sciences held an aggregate of 43,234,242 Common Shares, representing approximately 32% of the issued and outstanding Common Shares and it held 4,411,764 common share purchase warrants of the Company. As at December 31, 2017, Sciences held an aggregate of 45,156,555 Common Shares, representing approximately 42% of the issued and outstanding Common Shares and it held 8,489,451 common share purchase warrants of the Company.

With a company controlled by the Company's Executive Chairman

In 2017, the Company entered into a 30-year lease with a company (the "Landlord") that is controlled by Dr. Avtar Dhillon, the Executive Chairman of the Company with respect to land in Metro Vancouver, British Columbia on which the Company is constructing its new production facility. The lease amount of $80,000 per quarter was determined by an independent valuation. The Landlord also charged the Company $37,981 during the six months ended June 30, 2018 (2017 - $Nil) for services related to construction of the Company's new facility.

With a company whose CEO is also a director of the Company

As at June 30, 2018, the Company holds 1,666,667 common shares and 1,666,667 common share purchase warrants of VANC Pharmaceuticals Inc ("VANC") for investment purposes. The CEO of VANC is also a director of the Company.

The 1,666,667 common shares represent 4.4% of the issued and outstanding common shares of VANC at the date of this MD&A. Upon exercise of the common share purchase warrants of VANC, the Company will hold 3,333,334 common shares of VANC, representing 8.7% of the issued and outstanding common shares of VANC, assuming no other share issuances.

With the Company's joint venture

The Company also has related party transactions with Pure Sunfarms. As at June 30, 2018, Pure Sunfarms owes the Company $1.2 million (December 31, 2017 - $0.3 million) for expenditures made on behalf of the joint venture. These expenditures were made to facilitate the administration of the retro-fit of the Delta 3 property and Health Canada licence application. It is expected that once Pure Sunfarms is fully operational this type of transaction will cease. It is anticipated that future related party transactions with Pure Sunfarms will comprise of the purchase of cannabis from Pure Sunfarms.

On July 5, 2018, the Company and Village Farms (together, the "Shareholders") entered into a Shareholder Loan Agreement, subsequently amended August 24, 2018 (the "Loan Agreement") with Pure Sunfarms, whereby the Shareholders agreed to make a demand loan to Pure Sunfarms totaling $16 million ($8 million from each Shareholder). The loans bear simple interest at the rate of 8% per annum, calculated semi-annually and is payable on demand.

Proposed Transactions

There are no material decisions by the Company's board of directors with respect to any imminent or proposed transactions that have not been disclosed herein.

Critical Accounting Policies and Estimates

Included in Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016 are the accounting policies and estimates that are critical to the understanding of the business operations and results of operations. Included in Note 3 of the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2018 are new accounting policies and changes to existing accounting policies adopted during the current year.

Changes in Accounting Standards not yet Effective

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent condensed interim consolidated financial statements for the period ended June 30, 2018.

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.

Risks and Uncertainties

The Company's actual results may differ materially from those expected or implied by the forward-looking statements and forward-looking information contained in this interim management discussion and analysis due to the proposed nature of the Company's business and its present stage of development. A non-exhaustive list of risk factors associated with the Company are discussed in detail under the heading "Risk Factors" in the Company's AIF dated March 29, 2018.

The following is a non-exhaustive list of certain risk factors associated with the Company that have resulted from new business subsequent to March 29, 2018:

Current Litigation Relating to Agro-Biotech Acquisition

On February 21, 2018, Agro-Biotech, now the Company's wholly-owned subsidiary, and its former shareholders entered into a non-binding letter of intent (the "Letter of Intent") with Pivot with respect to a potential sale of Agro-Biotech. The parties entered into negotiations with respect to definitive documentation relating to such potential sale, however the parties were eventually unable to agree to final terms and the Letter of Intent terminated. On April 24, 2018, the Claim was served on Agro-Biotech and its former shareholders by Pivot. The Claim alleges that Agro-Biotech and the then shareholders of Agro-Biotech failed to negotiate in good faith with Pivot and claims damages in the amount of approximately $72.4 million as loss of profits. The Company retained litigation counsel in Quebec to advise as to the Claim and conducted in-depth due diligence of the facts surrounding the Claim. The Company believes that the Claim is without merit and intends on defending the Claim to the fullest extent possible, however the Company cannot reasonably predict the outcome of the Claim and results of litigation are impossible to determine. As a result, the Company may be subject to orders made against it for damages which may have a material adverse effect on the Company's business, financial condition, financial performance and financial prospectus. Even if the Company is successful in defending the Claim, litigation can redirect significant Company resources and attention away from the business of the Company which may have a material adverse effect on the Company's business, financial condition, financial performance and financial prospects.