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HEALTH THERAPEUTICS

Emerald Health Therapeutics Inc. (CSE : EMH)

Management Discussion & Analysis
For the three and nine months ended September 30, 2021 & 2020

TABLE OF CONTENTS

Management's Discussion and Analysis

The following MD&A is prepared as of November 29, 2021 and 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 nine months ended September 30, 2021, which have been prepared in accordance with IAS 34 – Interim Financial Reporting and the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

Effective November 15, 2021, the Company engaged MNP LLP ("MNP") as its auditors upon the resignation of Deloitte LLP, its former auditors. As part of its engagement, MNP will be reviewing the Company's condensed interim consolidated financial statements on an ongoing basis. As the appointment of MNP occurred very close to the filing deadline for the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 and 2020, MNP was able to commence but not complete its review of the condensed interim consolidated financial statements before the filing deadline. MNP will continue and complete its review of the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements have been prepared on a going concern basis. On November 29, 2021, subsequent to the financial statement date, the Company announced its intention to dispose of its cannabis production and sales business. As a result, effective November 29, 2021, the Company's cannabis production and sales business will be classified as assets held for sale. The Company's assets and liabilities have not been revalued as held for sale under IFRS 5 as at the September 30, 2021 reporting date of the condensed interim consolidated financial statements.

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 was incorporated pursuant to the *Business Corporations Act* (British Columbia) on July 31, 2007 as Firebird Capital Partners Inc. and changed its name to Firebird Energy Inc. in December 2012. On September 4, 2014, the Company completed the acquisition of all the issued and outstanding common shares of Thunderbird Biomedical Inc. ("Thunderbird"), by way of a reverse takeover under the rules of the TSX Venture Exchange (the "TSXV") and concurrently changed its name to T-Bird Pharma, Inc ("T-Bird"). At that time, Thunderbird became a wholly-owned subsidiary of T-Bird. In June 2015, the Company changed its name to Emerald Health Therapeutics, Inc. and Thunderbird changed its name to Emerald Health Botanicals Inc. ("Botanicals"). In February 2018, Botanicals changed its name to Emerald Health Therapeutics Canada Inc. ("EHTC").

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 Canadian Stock Exchange ("CSE") under the trading symbol "EMH". The Company also trades on the OTCQX® Best Market, operated by OTC Markets Group under the ticker symbol "EMHTF".

The Company owns:

(a) 100% of the shares of EHTC, a British Columbia-based licence holder under the Cannabis Act (Canada) (the "Cannabis Act");

(b) 100% of the shares of Verdélite Sciences, Inc. ("Verdélite"), a Québec-based licence holder under the Cannabis Act;

(c) 100% of the shares of Verdélite Property Holdings, Inc. ("Verdélite Holdings"), a Québec-based holding corporation that owns the Verdélite Facility (as defined below); and

(d) 100% of the shares of Emerald Health Naturals Inc. ("EHN").

The Company, through EHTC, also holds:

100% of the shares of Avalite Sciences Inc. (formerly Northern Vine Canada Inc.) ("Avalite"), a British Columbia-based licenced dealer under the provisions of the Controlled Drugs and Substances Act (Canada) (the "CDSA") and a licence holder under the Cannabis Act. Avalite ceased active operations in January 2021.

Coronavirus

In December 2019, the novel Coronavirus ("COVID-19") began to spread throughout the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to this, global reactions have led to significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. Sales of the Company's products for the adult use recreational market are primarily with government bodies, which continue to offer end customers online ordering and home delivery options. Consumer market retail stores in most Canadian jurisdictions have generally been permitted to remain open subject to adhering to the required social distancing measures.

During the nine months ended September 30, 2021, government restrictions and protocols as a response to COVID-19 have varied in detail and effect in response to fluctuating case levels and hospitalizations. These restrictions at times have included the limitation on retail cannabis to curbside and delivery options. However, as of the date of this MD&A, these restrictions have generally been lifted.

All of the Company's operating facilities in Canada continue to operate at full capacity and the Company continues to work closely with local, provincial and national government authorities to ensure that it is following the required protocols and guidelines related to COVID-19 within each region where the Company's facilities are located. Although none of the Company's facilities have to date been subject to any closures, the Company cannot provide assurance that there will not be disruptions to its operations in the future. Refer to the "Risk Factors" section below for further discussion on the potential impacts of COVID-19.

The Company continues to closely monitor the rapid evolution of COVID-19 with a focus on the jurisdictions in which the Company operates. During this period of uncertainty, it is the Company's priority to safeguard the health and safety of its personnel, support and enforce government actions to slow the spread of COVID-19, and continually assess and mitigate the risks to its business operations. The Company has taken responsible measures to reduce risks and enhance the safety of staff working at all of its facilities. This includes working remotely, reorganizing physical layouts, adjusting schedules to improve physical distancing, implementing extra health screening measures for employees, and applying rigorous standards for personal protective equipment. The Company continues to maintain regular communications with legal and government representatives, suppliers, customers and business partners to identify and monitor any potential risks to our ongoing operations.

COVID-19 impact on near term operations

The impact of the COVID-19 pandemic on the drivers of growth in the Canadian consumer market is difficult to forecast. While the Company is optimistic about the total accessible market size of Canadian consumer cannabis over time, the variables related to the pandemic make the short-term growth of the market, and the Company's revenue expectations difficult to project. Due to the uncertainty, magnitude and duration of the pandemic, COVID-19 impacts on the Company's operations and financial results, continue to be highly uncertain and cannot be predicted with confidence.

Development of Business in the nine months ended September 30, 2021

Highlights

- Settled all outstanding amounts owing of $9.00 million to the original vendors of Verdélite and Verdélite Holdings (the "Verdélite Entities") in connection with the Company's 2018 acquisition
- Received payment in full of $19.90 million promissory note related to the Company's sale of its interest in Pure Sunfarms Corp. and $0.62 million in interest
- Closed its Metro Vancouver Production Facility and commenced process to sell, retaining an agricultural real estate specialist to assist in the sale
- Established a supply and consulting arrangement with Spanish greenhouse grower for GMP-Certified cannabis
- Ceased operations of Avalite
- Announced and shipped the first batches of its new THC sublingual tablet, expanding its SYNC™ Wellness product line
- Transitioned from listing on the TSX Venture Exchange to listing on the Canadian Securities Exchange
- Announced an agreement to License Proprietary Cannabis-related Patents for use in the United States

- Announced and shipped the first batches of its new Fuse™ lifestyle brand with fast-acting cannabis-infused beverage

On January 22, 2021, Avalite ceased active operations. The Company terminated a letter of intent during December 2020 regarding a potential transaction with respect to Avalite's operations. Subsequent to the termination, the Company began considering other strategic alternatives for Avalite and its facility.

On January 13, 2021, the Company settled all outstanding amounts owing to the original vendors of the Verdélite Entities (the "Vendors") in connection with the Company's 2018 acquisition of the Verdélite Entities. The Company paid to the Vendors $9.00 million, fully settling all remaining amounts owing to the Vendors including accrued interest. The Company no longer has any liability to the Vendors with respect to the purchase price for the Verdélite Entities.

On February 5, 2021, the Company received from Village Farms International, Inc. ("VF") $19.90 million plus $0.62 million in interest, representing full repayment of the promissory note issued to the Company in connection with the sale of the Company's interest in Pure Sunfarms Corp. to VF in October 2020 (the "PSF Transaction"). This was the final payment due pursuant to the PSF Transaction.

On March 17, 2021, the Company announced that it had agreed to provide Medical Plants SLU ("Medical Plants"), a company based out of Almeria, Spain, with resources and expertise to assist Medical Plants to produce medical cannabis and other cannabis products to serve emerging legal medical cannabis markets in the European Union. Medical Plants is a wholly-owned subsidiary of Cualin Quality S.L., a high-tech producer of tomatoes. Medical Plants received processing approval from the Spanish Drug and Healthcare Products Agency in September 2020, making it only one of five authorized medical cannabis producers in Spain. Medical Plants is in the process of applying for GMP certification of its cannabis production facility. The Company has agreed, for a three-year period, to provide cannabis seeds, greenhouse construction expertise and cannabis growing expertise to assist Medical Plants in establishing its greenhouse-based production operation. The Company will have a non-obligatory right to purchase cultivated dried flower of certain strains produced by Medical Plants at a discounted price.

On March 31, 2021, the Company ceased operations at its facility in Metro Vancouver, BC. The board of directors formed a special committee (the "Special Committee"), consisting solely of independent directors, to consider the strategic options, specifically, the sale of the Metro Vancouver facility. During the three months ended June 30, 2021, the Special Committee looked to retain a commercial real estate broker to identify potential buyers for its Metro Vancouver facility. On July 23, 2021, the Company announced that it had retained BC Farm & Ranch Realty Corp. to assist in the sale of its Metro Vancouver facility.

On April 13, 2021, the Company announced that it had launched its new product line, SYNC™ Tabs, an innovative, naturally-flavoured sublingual offering consumers a controlled 10 mg THC dose with predictable onset and offset. This product line expands its offering under its SYNC™ Wellness brand and is the second of Emerald's Defined Dose™ products. With 10 mg of THC, SYNC™ Tabs offer consumers the measured stringency of Emerald's Defined Dose™ standard, dissolve under the tongue in about three minutes, and provide desired effects usually within 20 to 30 minutes. Offset is equally controlled, occurring within approximately 90 minutes of taking the tablet. The SYNC Tabs are very predictable as their delivery under the tongue and directly into the bloodstream obviates the effect variability caused by the compound having to pass through the stomach and liver. Tabs are sugar-free, gluten-free, vegan and come in two natural flavours, cherry and mint. The Company made its first product shipments to BC, Manitoba and Newfoundland, with Alberta to follow.

At the close of business on April 26, 2021, the Common Shares were voluntarily de-listed from the TSXV. The Common Shares commenced trading on the CSE as of the open of business on April 27, 2021 under the trading symbol "EMH". The Company expects that the listing of the Common Shares on the CSE will result in lower filing, compliance, legal and other fees, and provide the Company with increased flexibility to conduct business in the United States and other jurisdictions outside of Canada.

On May 5, 2021, the Company entered into a license agreement with FlowerPod LLC ("FlowerPod"), pursuant to which it agreed to exclusively license certain patented technology to FlowerPod for the development and sale of cannabis related products for use in all US states and other key geographical areas where adult use and/or medical cannabis is legal. The Company also provided FlowerPod with a promissory note of US$0.35 million that is repayable within two years and bears interest at 5% per annum. The Company was also granted a 18.71% equity ownership position in FlowerPod, via common share purchase warrants that were exchanged upon receipt, and will receive monthly license and research and development payments from FlowerPod.

On May 10, 2021, Moe Jiwan was appointed as the Chief Operating Officer of the Company.

On May 25, 2021, the Company and The Uplifters' Prima, PBC ("Prima"), based in Santa Monica, California, signed a letter of intent (the "LOI") contemplating joint initiatives to co-develop new cannabinoid-based wellness products for sale in the United States, Canada, and internationally. As an initial step in establishing the relationship, the Company made a capital investment of US$0.05 million in Prima's Series Seed-1 Preferred Stock financing round. Pursuant to the LOI, which is non-binding, the Company and Prima intend to explore the co-development of new science-based body and wellness products for the US, Canadian and global markets and aim to discuss broader corporate partnering options.

On July 21, 2021, the Company introduced its new Fuse™ lifestyle brand and latest product line, the Nano Shot, a flavoured cannabis-infused beverage formulated with 10 mg of THC and a nanoemulsion formulation that is aimed to provide a more predictable, rapid onset and shorter controlled duration of effects. Initial shipments of the beverage were received by British Columbia, Manitoba and Alberta. This new product line is Emerald's first cannabis beverage product line and its second nanoemulsion cannabis product. The Nano Shot leverages Emerald's Defined Dose™ product attributes.

On August 6, 2021, the Company announced that Avtar Dhillon resigned from his roles as director and Executive Chairman of the board of directors of the Company and its subsidiaries and Jim Heppell was appointed chairman of the board of directors of the Company.

On September 10, 2021, the Company announced that Jenn Hepburn, the Company's Chief Financial Officer was stepping down, effective October 15, 2021.

Development of Business after the Reporting Period

Highlights

- FlowerPod, the Company’s strategic licensee, unveiled its new brand of dose-controlled cannabis vaping product, and announced its plans to launch its distribution in the United States
- Announced partnership with HYTN Cannabis Inc. (“HYTN”) to launch cannabis beverages in Canada

On October 28, 2021, the Company announced that its strategic licensee partner, FlowerPod LLC, had completed product development related to its cannabis vaporizer puck launched under a new brand called HUUE™. FlowerPod also established a partnership with Genco Science, the leader in advanced cannabis vaporization technology, to provide a go-to-market strategy. FlowerPod exclusively licensed the use of the Company’s intellectual property relating to the cannabis puck concept for all US states, with an option to expand globally, upon meeting certain milestones. FlowerPod plans to launch HUUE™ in Massachusetts in December 2021 with select retailers, expanding into additional states in 2022.

On November 3, 2021, the Company and HYTN signed a definitive agreement under which the Company will co-launch, sell and distribute HYTN’s proprietary new sparkling cannabis beverages, across Canada. This partnership will leverage the Company’s established cannabis sales license, sales team and infrastructure, and provincial cannabis wholesale and retail distribution relationships to sell HYTN’s products. The Company will receive a percentage fee on total gross sales revenue of HYTN products in Canada. HYTN intends to launch its cannabis beverage during the fourth fiscal quarter of the Company, and the Company has secured an initial purchase order for HYTN cannabis beverages in British Columbia.

Effective November 12, 2021, Deloitte resigned as the Company's auditor on its own initiative. Effective November 15, 2021, MNP LLP was appointed as auditor to fill such vacancy. There have been no "reportable events", as defined in National Instrument 51-102, in connection with the audits for the Company's two most recently completed fiscal years or in the subsequent period to November 15, 2021.

Licences

The Company holds licences from Health Canada under the Cannabis Act to produce and sell cannabis products in accordance with applicable laws in Canada (the “Licences”). The Company currently indirectly holds a number of Licences through its wholly owned direct and indirect subsidiaries, EHTC, Verdélite and Avalite. The Licences held by EHTC permit it to cultivate cannabis and produce and sell dried cannabis, cannabis oils, cannabis plants and cannabis seeds. The Licence held by Verdélite permits it to cultivate, extract, manufacture, synthesize, test, and sell cannabis. Verdélite has also obtained a cannabis research license that authorizes sensory and organoleptic testing of cannabis products in accordance with the research protocol and conditions of the licence. The Licence held by Avalite permits it to process cannabis and produce cannabis oil, all in accordance with the terms and conditions specified in the applicable Licence and the Cannabis Act. Avalite also holds a license to possess psilocybin for sale, provision and transport purposes.

Disclosure of Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares of which 213,472,095 Common Shares and nil preferred shares were issued and outstanding as of September 30, 2021, and 213,472,095 as of November 29, 2021.

There were 14,290,787 stock options outstanding as of September 30, 2021. As of November 29, 2021, there were 11,207,787 stock options outstanding.

There were 35,666,849 warrants outstanding as of September 30, 2021 and as of November 29, 2021.

Summary of Quarterly Results

The financial information in the following tables summarizes 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*:

	2021			**2020**
(000's)	**September 30 ($)**	**June 30 ($)**	**March 31 ($)**	**December 31 ($)**
Revenue	2,599	3,777	2,653	3,511
Share-based payments	204	194	143	432
Interest and other income	354	782	1,084	428
Share of loss from Pure Sunfarms Corp.	Nil	Nil	Nil	(1,367)
Gain on changes in the fair value of the Company's biological assets	521	540	95	7,229
Net Loss	(9,144)	(13,956)	(2,900)	(8,060)
Net Loss per share (basic and diluted)	(0.043)	(0.065)	(0.014)	(0.039)

	2020			**2019**
(000's)	**September 30 ($)**	**June 30 ($)**	**March 31 ($)**	**December 31 ($)**
Revenue	4,311	3,106	3,333	4,940
Share-based payments	755	844	986	346
Interest and other income	29	809	13	(71)
Share of (loss) income from Pure Sunfarms Corp.	(520)	(187)	5,205	492
Gain (loss) on changes in the fair value of the Company's biological assets	(2,339)	871	644	3,159
Net Loss	(11,658)	(18,943)	(4,879)	(90,344)
Net Loss per share (basic and diluted)	(0.057)	(0.098)	(0.027)	(0.590)

Results of Operations

Quarter ended September 30, 2021

The net loss for the quarter ended September 30, 2021, was $9.14 million (loss of $0.043 per share), compared to the net loss of $11.66 million (loss of $0.057 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 September 30, 2021 include the following:

Revenue

Revenue for the quarter ended September 30, 2021, was $2.60 million compared to $4.31 million for the same period in the prior year. Recreational sales decreased as a result of lower sales volumes in the quarter ended September 30, 2021 as compared to the same period in 2020, while the average selling price per gram increased. Medical sales decreased as a result in the decrease in medical patients. For the quarter ended September 30, 2021, revenue was comprised of approximately 78% dried product, and 22% concentrates, extracts and edibles, compared to approximately 83% dried product, 16% concentrates, extracts and edibles and 1% other in the quarter ended September 30, 2020.

	For the three months ended September 30, 2021	For the three months ended September 30, 2020
Average selling price of adult-use dried flower per gram & gram equivalents	$3.82	$3.54
Kilograms sold of adult-use dried flower & kilogram equivalents	501	862
Average selling price of medical dried flower per gram & gram equivalents	$5.51	$7.06
Kilograms sold of medical dried flower & kilogram equivalents	25	42
Total kilograms produced of dried flower	779	2,459

Cost of Sales

Cost of goods sold currently consists of four main categories: (i) cost of goods sold expensed from inventory, (ii) production costs, (iii) change in the fair value of biological assets and (iv) amortization of the Health Canada licences.

Cost of goods sold 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 from inventory for the quarter ended September 30, 2021 and September 30, 2020 was $1.51 million and $2.50 million, respectively. The decrease in cost of goods sold in the current period was due to lower volumes of product sold and lower value of biological asset per gram expensed as compared to the prior period. The total kilograms of dried flower produced decreased during the three months ended September 30, 2021, due to the closure of the Metro Vancouver facility.

Production costs include all direct and indirect production related costs, including security, compliance, quality control and quality assurance costs, as well as overhead relating to the cultivation activities. All post-harvest inventory production costs in excess of standard cost are not capitalized and recorded as cost of goods sold. Production costs included $1.37 million of costs during the three months ended September 30, 2021 (September 30, 2020 - $2.18 million).

During the three months ended September 30, 2021, the Company recognized $0.48 million (September 30, 2020 - $0.92 million) in excise taxes from recreational sales. The excise tax attributable to medical sales of $0.01 million (September 30, 2020 - $0.02 million), was absorbed by the Company as a cost and not passed on to the end patients.

The change in biological assets for the quarter ended September 30, 2021 resulted in a gain of $0.52 million compared to a loss of $2.34 million in the same quarter of the prior year. The loss in the prior period was due to a change in estimates used for fair value less costs to sell (“FVLCS”) used as an input in the valuation of biological assets during that period, as well as a cull of plants in the comparative period. The current period increase is a result of normal operations and stage of plant growth at the Verdélite facility during the three months ended September 30, 2021.

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value, except for a portion which are restricted with respect to distribution due to the conditions under which they were acquired that are measured at cost. The significant assumptions used in determining the fair value of cannabis plants are as follows: plant attrition rate for various stages of development; yield per plant; wholesale selling price less costs to sell; percentage of total expected costs incurred to date; and costs incurred for each stage of plant growth.

Gains recognized in the fair value of biological assets are recorded in a manner that decreases the cost of sales. Changes in the fair value of biological assets can be significant during periods of large expansion in the cultivation area. In determining the fair value of cannabis plants, assumptions are used regarding the variability in the average age and number of cannabis plants available at each period end.

Inventory write-down – During the quarter ended September 30, 2021, a write-down of $0.27 million was recognized for dried cannabis, packaged inventory and bulk cannabis oils (September 30, 2020 - $1.82 million) related to product deterioration, a packaging defect and limited remaining shelf life.

Other expenses

General and Administrative – During the quarter ended September 30, 2021, the Company incurred general and administrative expenses of $2.36 million versus $2.73 million for the quarter ended September 30, 2020. The current quarter saw decreased expenses in professional and consulting services, and corporate communications and media. In the quarter ended September 30, 2021, general and administrative costs included; salaries and benefits of $0.82 million (three months ended September 30, 2020 - $0.77 million), consulting and professional services fees of $0.78 million (three months ended September 30, 2020 - $1.42 million), investor relations fees of $0.03 million (three months ended September 30, 2020 - $0.05 million), office and insurance of $0.71 million (three months ended September

30, 2020 - $0.49 million) and travel and accommodation of $0.02 million (three months ended September 30, 2020 - Nil).

Sales and marketing – In the quarter ended September 30, 2021, the Company incurred sales and marketing expenses of $0.58 million versus $0.29 million in the comparable 2020 prior period. These costs are related to general sales and marketing expenses and wages. The current period increase reflects the Company's launch of its new product lines in the form of its sublingual tablets and Fuse™ beverages.

Research and development – In the quarter ended September 30, 2021, the Company incurred research and development expenses of $0.45 million (three months ended September 30, 2020 - $0.27 million). These costs related to consulting fees and wages associated with the development of new cannabis products. Research and development expenditures were related to not only product development but also to the enhancement of cultivation and extraction efficiencies as well as research into strain genetics. Costs increased during the current period due to an increase in activities surrounding new product development in the health and wellness segment.

Share-based compensation – In the quarter ended September 30, 2021, the Company incurred share-based compensation expenses of $0.20 million versus $0.76 million in the comparable 2020 prior period. The amounts are compensation expenses related to employee, director and consultant incentive stock options and restricted share units ("RSU") which are measured at fair value at the date of grant and expensed over the vesting period. During the current quarter, the Company granted Nil stock options and Nil RSUs to employees and consultants, compared to 3,797,500 stock options and 175,000 RSUs granted during the same period in 2020.

Share of income from former joint venture – In the quarter ended September 30, 2021, the Company recognized $Nil as its share of income due to the sale of the entirety of its 41.28% interest in Pure Sunfarms Corp. in 2020. In the comparable period the Company recognized a $0.52 million loss.

Impairment – During the three months ended September 30, 2021, the Company determined there was a further fair value loss on the reclassification of the Company's Metro Vancouver facility to held for sale based on market conditions and additional third-party sales broker information. This resulted in recording an impairment of $4.37 million; $2.34 million against the building, $1.31 million against PUC, and $0.72 million against equipment. The remaining asset value of $3.09 million relating to the Metro Vancouver facility and reclassified to asset held for sale includes $1.54 million of buildings, $0.41 million of production and growing equipment, $0.86 million of PUC and $0.28 million of long-term deposits. During the three months ended September 30, 2021, the Company also determined the extraction assets were no longer of use and therefore impaired the intangible asset value of $0.56 million.

The amortization of the Health Canada licence represents the amortization of an acquired licence that is recorded at cost less accumulated amortization. Amortization will be expensed as a cost of sales and the unamortized balance will remain on the Company's balance sheet as an intangible asset. Amortization of the licence is recognized on a straight-line basis over the useful life, irrespective of either production or sale of cannabis from that facility.

Year to Date September 30, 2021

The net loss for the year to date, was $26.00 million (loss of $0.12 per share), compared to the net loss of $35.48 million (loss of $0.19 per share) for the same period in the prior year. The net loss for the period was impacted by a $15.03 million impairment on the Metro Vancouver facility. 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 nine-month period ended September 30, 2021 include the following:

(000's)	**2021** **Nine months ended September 30 ($)**	**2020** **Nine months ended September 30 ($)**
Revenue	9,028	10,750
Share-based payments	541	2,585
Interest and other income	2,215	851
Share of income from joint venture	-	4,497
Net Loss	(26,000)	(35,480)
Net Loss per share (basic and diluted)	(0.12)	(0.19)

Revenue

Revenue for the year to date, was $9.03 million compared to $10.75 million for the same period in the prior year. The revenue for the nine months ended September 30, 2021 was impacted by a further decline in average selling price per gram of dried cannabis and dried cannabis equivalent in the adult-use channel, which decreased from $3.75 in the same period in 2020 to $3.54 in the current period. The Company shipped 12% less kilograms of dried flower and flower equivalent compared to the same period of the prior year. For the nine months ended September 30, 2021, revenue was comprised of approximately 70% dried product, and 30% oils, compared to approximately 73% dried product, 26% oils and 1% other in the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company's revenues were from the adult recreational market, the medical market, as well as bulk dry cannabis flower sales of $0.48 million. In the comparable nine month period ended September 30, 2020, the Company did not make any bulk dry cannabis sales.

	For the nine months ended September 30, 2021	**For the nine months ended September 30, 2020**
Average selling price of adult-use dried flower per gram & gram equivalents	$3.54	$3.75
Kilograms sold of adult-use dried flower & kilogram equivalents	1,795	2,005
Average selling price of medical dried flower per gram & gram equivalents	$7.02	$7.94
Kilograms sold of medical dried flower & kilogram equivalents	80	137
Total kilograms produced of dried flower	2,410	7,980

Cost of Sales

Cost of goods sold currently consists of four main categories: (i) cost of goods sold expensed from inventory, (ii) production costs, (iii) change in the fair value of biological assets, and (iv) amortization of the Health Canada licences.

Cost of goods sold 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 nine months ended September 30, 2021 and September 30, 2020 was $5.57 million and $6.38 million, respectively. The decrease in cost of goods sold in the current period was due to lower volumes of product sold and lower value of biological asset per gram expensed as compared to the prior period.

Production costs include all direct and indirect production related costs, including security, compliance, quality control and quality assurance costs, as well as overhead relating to the cultivation activities. All post-harvest inventory production costs in excess of standard cost are not capitalized and recorded as cost of goods sold. Production costs included $4.15 million of costs during the nine months ended September 30, 2021 (September 30, 2020 - $3.60 million).

During the nine months ended September 30, 2021, the Company also recognized $1.58 million (September 30, 2020 - $1.95 million) in excise taxes from recreational sales. The excise tax attributable to medical sales of $0.04 million (September 30, 2020 - $0.06 million) was absorbed by the Company as a cost and not passed on to the end patient.

The change in biological assets for the nine months ended September 30, 2021 resulted in a gain of $1.16 million compared to a loss of $0.83 million in the same period of the prior year. The loss in the prior period was due to a change in estimates used for fair value less costs to sell FVLCS used as an input in the valuation of biological assets during that period, as well as a cull of plants in the comparative period. The current period increase is a result of normal operations and stage of plant growth at the Verdélite facility.

The amortization of the Health Canada licence represents the amortization of an acquired licence that is recorded at cost less accumulated amortization. Amortization will be expensed as a cost of sales and the unamortized balance will remain on the Company's balance sheet as an intangible asset. Amortization of the licence is recognized on a straight-line basis irrespective of either production or sale of cannabis from that facility.

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value, except for a portion which are restricted with respect to distribution due to the conditions under which they were acquired that are measured at cost. The significant assumptions used in determining the fair value of cannabis plants are as follows: plant attrition rate for various stages of development; yield per plant; selling price less costs to sell; percentage of total expected costs incurred to date; and costs incurred for each stage of plant growth.

Gains recognized in the fair value of biological assets are recorded in a manner that decreases the cost of sales. Changes in the fair value of biological assets can be significant during periods of large expansion in the cultivation area. In determining the fair value of cannabis plants, assumptions are used regarding the variability in the average age and number of cannabis plants available at each period end.

Inventory write-down – During the nine months ended September 30, 2021, a write-down of $0.68 million was recognized for packaged inventory and extracted cannabis oils (September 30, 2020 - $2.88 million) related to product deterioration, limited remaining shelf life and fair market value.

Other expenses

General and Administrative – During the nine months ended September 30, 2021, the Company incurred general and administrative expenses of $6.84 million versus $7.41 million for the nine months ended September 30, 2020. The current period saw decreased expenses in wages and benefits, corporate communications and media, consulting and professional service fees, and travel and accommodations expense, and increased costs of office and insurance due to a retro-active adjustment to insurance and the wind down of the operations at the Metro Vancouver facility which remaining expenses were relocated from production costs to general and administrative expense. In the nine months ended September 30, 2021, general and administrative costs included; salaries and benefits of $2.59 million (nine months ended September 30, 2020 - $3.00 million), consulting and professional services fees of $2.00 million (nine months ended September 30, 2020 - $2.63 million), corporate communication and media expense of $0.07 million (nine months ended September 30, 2020 - $0.20 million), office and insurance of $2.14 million (nine months ended September 30, 2020 - $1.50 million) and travel and accommodation of $0.04 million (nine months ended September 30, 2020 - $0.08 million).

Sales and marketing – In the nine months ended September 30, 2021, the Company incurred sales and marketing expenses of $1.57 million versus $1.22 million in the comparable 2020 prior period. These costs are related to general sales and marketing and wages. The current period increase reflects the Company's use of sales agencies in the launch of its new product lines.

Research and development – In the nine months ended September 30, 2021, the Company incurred research and development expenses of $1.36 million (nine months ended September 30, 2020 - $0.98 million). These costs related to consulting fees and wages associated with the development of new cannabis products. The increase in research and development costs are due to an increase in activities surrounding new product development in the health and wellness segment.

Share-based compensation – In the nine months ended September 30, 2021, the Company incurred share-based compensation expenses of $0.54 million versus $2.59 million in the comparable 2020 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 nine months ended September 30, 2021, the Company granted 300,000 stock options and Nil restricted share units to employees and consultants, compared to 9,877,500 stock options and 550,000 restricted share units during the same period in 2020.

Share of income from joint venture – In the nine months ended September 30, 2021, the Company recognized $nil as its share of the income due to the sale of the entirety of its 41.28% interest in Pure Sunfarms Corp. In the comparable period the Company recognized $4.50 million.

Impairment – During the nine months ended September 30, 2021, the Company determined there was a further fair value loss on the reclassification of its Metro Vancouver facility to held for sale based on market conditions and additional third-party sales broker information. This resulted in recording an impairment of $15.02 million; $9.76 million against the building, $4.55 million against PUC and $0.71 million of equipment. The remaining asset value of $3.09 million relating to the Metro Vancouver facility and reclassified to held for sale includes $1.54 million of buildings, $0.41 million of production and growing equipment, $0.86 million of PUC and $0.28 million of long-term deposits. During the nine months ended September 30, 2021, the Company also determined the extraction assets were no longer of use and therefore impaired the intangible asset value of $0.56 million.

The amortization of the Health Canada licence represents the amortization of an acquired licence that is recorded at cost less accumulated amortization. Amortization will be expensed as a cost of sales and the unamortized balance will remain on the Company's balance sheet as an intangible asset. Amortization of the licence is recognized on a straight-line basis over their useful life, irrespective of either production or sale of cannabis from that facility.

Interest and other income – In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration to eligible employers based on certain criteria and during the nine months ended September 30, 2020, the Company determined that it had qualified for this subsidy. The Company applied for and received $1.56 million of non-repayable subsidies under CEWS during the nine months ended September 30, 2021 (September 30, 2020 - $0.79 million).

Liquidity and Capital Resources

The Company continually monitors and manages its cash flow to assess the liquidity necessary to fund operations and capital projects. The Company manages its capital resources and adjusts them to take into account changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital resources, the Company may, where necessary, control the amount of working capital, pursue financing or manage the timing of its capital expenditures. As at September30, 2021, the Company had working capital of $24.59 million (current assets of $32.96 million less current liabilities of $8.37 million).

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain debt or equity financing until it achieves profitable operations. 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.

As at September 30, 2021, the Company had $21.98 million in cash and cash equivalents. The Company is actively managing current cash flows until such time as the Company is profitable.

Management will continue to closely monitor its cash flows as it purposely shifts away from large-scale, high volume, asset-intense cultivation. The Company intends to direct its resources towards providing defined-scale, high quality dried flower to the premium segment of the market, and to focus more on the science-based development of differentiated, high-margin cannabis derivative products.

The Company has not currently committed to any further projects which may require significant cash injections.

The composition of the Company's accounts payable and accrued liabilities was as follows:

(000's)	September 30, 2021 ($)	December 31, 2020 ($)
Trade payables	2,896	6,296
Accrued liabilities	519	903
Excise tax payable	300	2,239
Payroll liabilities	172	1,046
Sales tax liabilities	774	529
Other payables	9	6

The Company also has the following undiscounted gross contractual obligations as at September 30, 2021, which are expected to be payable in the following respective periods:

(000's)	Total $	≤ 1 year $	Over 1 year $
Leases	8,468	461	8,007
CEBA Loan	40	-	40

Included in the leases above, is the $3.49 million lease liability related to the ROU Land asset of the Metro Vancouver facility which was been reclassified to held for sale.

Operating, Investing and Financing Activities

The chart below highlights the Company's cash flows:

(000's)	For the nine months ended September 30, 2021 ($)	For the nine months ended September 30, 2020 ($)
Net cash provided by (used in):		
Operating activities	($14,981)	($5,213)
Investing activities	$10,245	($2,374)
Financing activities	$719	$5,480
Increase (decrease) in cash	($4,017)	($2,107)

Cash used in operating activities for the period ended September 30, 2021 was $14.98 million, compared to cash used of $5.21 million in the comparative period of the prior year. The current period amount reflects the cash used to pay down accounts payable upon the receipt of the final cash payment from the sale of its shares of Pure Sunfarms Corp.

Cash provided by investing activities for the period ended September 30, 2021 was $10.25 million, compared to cash used of $2.37 million in the comparative period of the prior year. In the current year, this was mostly the result of the receipt of $20.52 million as the final cash payment from the sale of shares of Pure Sunfarms Corp. offset by the $9.00 million to settle the deferred payment with the former owners of Verdélite. The Company also spent $1.16 million on the purchase of plant and equipment.

Cash provided by financing activities for the period ended September 30, 2021 was $0.72 million, compared to cash generated of $5.48 million in the comparative period of the prior year. Cash received in the current period included proceeds of $1.31 million received on the exercise of warrants and $0.05 million from the exercise of stock options, offset by $0.23 million of interest payments, $0.25 million of payments on lease liabilities, $0.14 million in share issuance costs, and $0.03 million used for investment in strategic partnerships.

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

During the year ended December 31, 2020, the Company initiated a plan to close operations of its facility located in Metro Vancouver, British Columbia, as announced subsequent to the year end, which is an indicator of impairment. The fair value of this facility was determined based on a third-party appraisal using a FVLCD approach including the market and cost approaches. Consideration was given to information from manufacturers, historical data and industry standards which constitute both observable and unobservable inputs (level 2 and level 3).

During the nine months ended September 30, 2021, the Company determined there was a further fair value loss on the reclassification to held for sale assets based on market conditions and additional third-party appraisal information.

Management continues to review each of its assets for indicators of impairment.

Transactions with Related Parties

The Company has entered into transactions with an entity that may be considered to be a control person of the Company, a wholly owned subsidiary of such entity, a company controlled by the Company's former Executive Chairman, a company whose CEO is also a director of the Company, and with Pure Sunfarms Corp.

With Emerald Health Sciences Inc.

As at September 30, 2021, Emerald Health Sciences Inc. ("Sciences") held an aggregate of 39,401,608 Common Shares, representing 18.46% (December 31, 2020 – 39,401,608 shares, representing 19.09%) of the issued and outstanding Common Shares and it also held 9,099,706 (December 31, 2020 – 9,099,706) common share purchase warrants of the Company.

As at September 30, 2021, the Company owed $nil (December 31, 2020 - $1,327) to Sciences for total services provided. These amounts are included in the due to related parties caption on the consolidated statements of financial position. As at September 30, 2021, Sciences owed the Company $nil (December

31, 2020 – $50) for invoices paid on behalf of Sciences, this amount is included in the due from related parties caption on the consolidated statements of financial position and is non-interest bearing.

With Subsidiaries of Emerald Health Sciences Inc.

On October 3, 2018, the Company announced that it entered into a research agreement with Emerald Health Biotechnology España S.L.U. (formerly, VivaCell Biotechnologies Spain S.L.U.) ("EH Spain"), an institute located in Córdoba, Spain and focused on cannabis research, which will provide its cannabis-industry-leading contract research organization (CRO) services to the Company to elucidate the mechanism of action of proprietary formulations and dosage forms that the Company is developing. EH Spain is a wholly-owned subsidiary of Sciences, who was a control person of the Company at the time, and was therefore a related party of the Company. To date, the Company has used the CRO services of EH Spain with total costs incurred of €20,000.

With the Company's former joint venture

As of September 30, 2021, Pure Sunfarms owes the Company $170 (December 31, 2020 - $170) for expenditures made on behalf of the joint venture. As at September 30, 2021 the Company owes to Pure Sunfarms $5 (December 31, 2020 - $5). These amounts were re-classed from the respective Due To and Due From Related Parties, to the respective accounts receivable and accounts payable on the consolidated statements of financial position at the date of sale. Amounts are non-interest bearing.

With a Company Controlled by the Company's Former Executive Chairman

During the year ended December 31, 2017, the Company entered into a 30-year lease with a company (the "Landlord") that is controlled by Avtar Dhillon, MD, the former Executive Chairman of the Company with respect to land in Metro Vancouver, British Columbia on which the Company constructed its production facility. The lease amount was determined by an independent valuation and was approved by the nonconflicted directors of the Company. During the three and nine months ended September 30, 2021, the Company paid to the Landlord $95 and $286 (September 30, 2020 - $99 and $269) in rent. As at September 30, 2021, the Company recognized lease liabilities held for sale of $3,487 (December 31, 2020 - $3,516) relating to the land in Metro Vancouver. As of August 6, 2021, the company controlled by Avtar Dhillon ceased to be a related party upon his resignation.

With an Entity with Common Directors

On May 11, 2021, the Company acquired the remaining 49% equity ownership in Naturals that was held by Emerald Health Bioceuticals ("Bioceuticals") for $32 (US$25). The Company now owns 100% ownership in Naturals, which was reflected by the movement of $1,385 from Non-Controlling Shareholders' Interest to the Company's equity.

Management's intention is to dispose of Naturals which is no longer operational. As a result, management evaluated Naturals' net assets for impairment at June 30, 2021. Taking into account the Company's intention to dispose of the asset, management concluded that the carrying value of certain assets, namely inventory and fixed assets were higher than the recoverable amount and recorded an impairment loss of $131 of inventory and $10 of furniture, fixtures and equipment.

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

The critical accounting policies and estimates are included in each of the notes of the Company’s audited consolidated financial statements for the year ended December 31, 2020 and 2019. These are the accounting policies and estimates that are critical to the understanding of the business operations and results of operations.

Changes in Accounting Standards not yet Effective

Refer to Note 2 of the Company’s audited consolidated financial statements for the years ended December 31, 2020 and 2019 for additional information on 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.

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 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 May 1, 2021, as well as in the MD&A of the Company for the year ended December 31, 2020.

The following is a non-exhaustive list of certain additional risk factors associated with the Company.

Public Health Crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the current COVID-19 pandemic. As at the date of this MD&A, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, quarantines, business closures and a general economic turmoil. The Company's facilities have not been subject to closure due to COVID-19; however, there can be no certainty that this will remain the case.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. The Company has taken what it believes to be appropriate safety precautions at its facilities to safeguard the health of its employees including remote work plans and additional protective measures on site, and there have been no outbreaks to date at any of the Company's facilities. However, if an outbreak were to occur, the Company may be required to temporarily close the facility. Any such closure could have a material adverse impact on production and sales. Widespread uncertainty, government restrictions on personal mobility and the other impacts of the COVID-19 crisis on the Company's employees, together with the potential to contract COVID-19 and/or be subject to quarantine may have an impact on the ability or willingness of the Company's employees to attend their workplace. Although certain administrative functions can be conducted remotely, other functions, such as growth, picking and packaging of the Company's products and maintenance and security of the Company's products and facilities cannot be conducted remotely and may be adversely impacted by any resulting decrease in employee availability. In addition, as provincial economies emerge from COVID-19 related restrictions, certain industries have experienced labour shortages as labour markets adjust. Continued adjustments in the labour market may also have a negative impact on the Company’s ability and maintain its workforce.

Such public health crises can also result in disruptions and volatility in financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact the market and pricing of cannabis products, interest rates, credit ratings, credit risk and inflation. In addition, the Company's business may be impacted by supply chain disruptions caused by the COVID-19 crisis, including the delivery of essential materials for the Company's products or the delivery of the Company's products to markets. The COVID-19 crisis may also have a negative impact on consumer demand for the Company's products due to, among other things, economic contraction and the potential closure of vendors of the Company's products, which could result in substantially reduced revenue to the Company. While these effects are expected to be temporary, the duration of the disruptions to business and the related financial impact cannot be estimated with any degree of certainty at this time.

Although a number of jurisdictions previously commenced steps to reduce restrictions on businesses and to re-open their economies, the continued spread of COVID-19 and the emergence of new variants of the virus have led to the implementation of new restrictions. There can be no guarantee that these restrictions will be successful or that additional future outbreaks will not lead to increased restrictions. In addition, while vaccination programs for COVID-19 have experienced wide take-up in Canada, such programs may not be as efficacious as expected due to a variety of factors including unwillingness of significant numbers of people to become vaccinated, or the emergence of new strains which are resistant to vaccines. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 could have a material adverse effect on the Company's business, results of operations and financial condition.

Disposition of Assets

As part of the Company's business strategy, it may seek opportunities to dispose of certain of its assets. In pursuit of such opportunities, the Company may fail to negotiate acceptable arrangements related to such dispositions. Such dispositions may also lead to substantial losses recognized by the Company, particularly as values in the cannabis sector have fallen in recent years with many distressed assets currently on the market. In addition, any such transaction will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. Dispositions of certain assets may also lead to the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the Company.

Operations in the USA

The Company does not currently have any direct operations, business or sales in the United States. However, the Company has entered into a license agreement with FlowerPod, pursuant to which it agreed to exclusively license certain patented technology to FlowerPod for the development and sale of cannabis related products for use in all US states and other key geographical areas where adult use and/or medical cannabis is locally legal. In addition, the Company has also entered into a letter of intent with The Uplifters' Prima, PBC ("Prima"), based in Santa Monica, California, contemplating joint initiatives to co-develop new cannabinoid-based wellness products for sale in the United States, Canada, and internationally. On May 25, 2021, the Company completed a $50,000 investment in Prima's Seed-1 Preferred Stock financing round. The Company is not aware of any material non-compliance with applicable laws related to initiatives undertaken by FlowerPod or Prima. At this time, the Company does not have any significant balance sheet or operating statement exposure with respect to such ancillary operations. The Company does not expect there to be any impact on its ability to access capital as a result of such ancillary operations in the United States. No additional legal opinions have been obtained by the Company regarding compliance with regulatory frameworks in the United States or potential exposure to and implications arising from federal laws in the United States.

Cannabis is a restricted drug under federal law in the United States and its sale and possession is generally prohibited. Enforcement of relevant laws in an adverse manner would be a significant risk to the Company and could have a material adverse effect on the Company. Future operations in the United States or transactions or relationships with cannabis related businesses in the United States, depending on the nature and extent of such operations, transactions or relationships, may also impact the Company's ability to raise funds in the public and private markets. Regulatory authorities may also impose certain restrictions on the Company's ability to operate in the United States. The Company will consult with appropriate legal counsel to ensure it considers all relevant factors prior to engaging in any operations in the United States or any transactions with entities in the United Stated.

Future Litigation

The Company may become party to litigation (including arbitration or mediation) from time to time, which could adversely affect its business. In addition, the directors or officers of the Company may become involved in litigation unrelated to the Company which may have an impact on the Company due to the time and attention required to attend to such litigation or may affect the reputation of the Company. Should any litigation in which the Company becomes involved be determined against the Company or should the Company enter into a settlement, the amount of the award or settlement could adversely affect the Company's resources and its ability to continue operating and the market price for the Common Shares. Monitoring and defending litigation, whether or not meritorious, can be time consuming and may result in significant expenses, including legal fees and other costs. Even if the Company is involved in litigation and is successful, litigation can redirect significant Company resources and attention away from the business of the Company and may have a material adverse effect on the Company's business, reputation, financial condition, financial performance and financial prospects.

Securities class action litigation often has been brought against cannabis companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Non-GAAP Measures

The Company has included "Working capital" (current assets less current liabilities), which is a non-GAAP measure, in this MD&A to supplement its consolidated financial statements, which are presented in accordance with IFRS. The terms IFRS and generally accepted accounting principles ("GAAP") are used interchangeably throughout this MD&A.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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 benefits of listing the Common Shares on the CSE; the Company's business objectives; expansion of the Company's business operations in other jurisdictions; the Company's operations in Québec; the approval of patent applications that have been submitted by the Company; leveraging the Company's intellectual property portfolio; ongoing research and development activity; changes to the Company's product offering; efficacy of the Company's products; improvements to the Company's cultivation, manufacturing and standardization processes; the development of distribution channels for non-medical cannabis products; the Company's longer term strategy of becoming a leading provider of quality products for the broader adult recreational cannabis market; development and in-licensing of new products and product line extensions to drive additional growth in the adult recreational and medical markets across Canada; pursuit of new business initiatives ancillary to the cannabis business; potential transactions and development strategies; execution on the Company's growth strategy by pursuing key objectives; the Company's focus on employing scientific innovation to create differentiated specialty Cannabis 2.0 and 3.0 products that meet distinct consumer and patient requirements; the Company's intent to continue to cultivate, selectively purchase and market high-quality, handcrafted, specialty dried flower; creation and development of a portfolio of products that are aimed at serving the distinct needs of health and wellness focused consumers; demonstration of the scientific validity of targeted products through the use of in-vitro and in-vivo models, as well as clinical observational studies, focused on particular indications; operations of the Company's subsidiaries; the impact of the ongoing COVID-19 crisis; strategic alternatives related to the Company's assets; the focus of the Company's efforts; strategic partnerships entered into by the Company; 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; the impact of the ongoing COVID-19 crisis; continued availability of capital financing and general economic, market or business conditions; reliance on licences to produce and sell cannabis and cannabis oils issued to the Company under the Cannabis Act and its ability to maintain these licences; regulatory risks relating to the Company's compliance with the Cannabis Regulations; the Company's ability to execute its business plans; changes in laws, regulations and guidelines; 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; failure of counterparties to perform contractual obligations; 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; demand for labour; actual operating and financial performance of facilities, equipment and processes relative to specifications and expectations; results of litigation; performance of the Company’s products; impacts of any recalls of the Company’s products; the Company's ability to develop and commercialize pharmaceutical products; reputational risks; risks related to key persons; failure to obtain regulatory approval for pharmaceutical products; changes in the Company's over-all business strategy; and the Company's assumptions stated herein being correct. See "Risks and Uncertainties" in this MD&A and other factors described in the Company's AIF 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.

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