

Emerald Health Therapeutics Reports 2021 Second Quarter Financial Results and Provides Corporate Update

Vancouver, British Columbia--(Newsfile Corp. - August 31, 2021) - Emerald Health Therapeutics, Inc. (CSE: EMH) (OTCQX: EMHTF) ("Emerald") has released its financial results for the three and six months ended June 30, 2021. Full versions of Emerald's unaudited condensed interim consolidated financial statements and management discussion and analysis can be found on www.sedar.com.

"In the second quarter we started to see incremental progress in executing on our renewed business strategy, resulting in a 42% sequential quarterly increase in gross revenue to \$3.8M, with a concurrent significant improvement to just a small negative gross margin. Our net operating loss and cash flow utilization have improved and we ended the quarter with over \$32M in working capital, providing us with significant runway," said Riaz Bandali, President & CEO of Emerald. "As per our objectives, we kept our general and administrative costs flat (excluding non-cash items) while increasing our investment in sales and marketing by 33% and in R&D by more than double. We also made key additions to our team with the appointment of Moe Jiwan as Chief Operating Officer and, recently, Nick Mosgrove as VP Sales & Marketing, both experienced leaders.

"With our commitment to science-based innovation and our Defined Dose focus to offer health, wellness and medical consumers more precise and predictable dosing and a more consistent cannabis consumption experience, our R&D efforts resulted in the launch of our new SYNC™ Tabs and, in July, FUSE Nano Shots. Our SYNC medical product sales are robust and our Quebec Souvenir brand, which now includes a Souvenir-branded strain-specific oil, has started to establish additional sales momentum in Quebec. We have also seen modest but increasing product demand in Europe via our Danish partner, Stenocare.

"We announced a small strategic investment in the brand-focused total body wellness company, Prima, and our US licensee, FlowerPod, continues to work on new products based on the intellectual property they licensed from Emerald. And we expect the initiation of our first clinical trial in early Q4, with a second one planned to initiate in the next 4-6 months. Overall, we are active and excited about the multiple paths we are opening for business growth."

Emerald 2Q21 Financials (compared to 2Q20 and 1Q21)

- Net sales of \$3.04M increased 23% compared to net sales of \$2.48M in 2Q20 and increased 35% from net sales of \$2.26M in 1Q21. Sales in the adult-use channel represented 78% of total revenue, and volumes sold in the channel were 33% higher in 2Q21 compared to 1Q21, while average selling price per gram decreased from \$3.65 in 1Q21 to \$3.28 in 2Q21.
- Total SG&A expense of \$4.11M, which includes \$0.64M of non-cash expenses, increased \$0.63M from \$3.47M in 2Q20 and increased \$0.58M from \$3.52M in 1Q21.
- Net loss of \$13.97M in 2Q21 includes a \$10.67M non-cash impairment of an asset held-for-sale.
- EBITDA of negative \$2.69M in 2Q21 decreased \$1.52M from negative \$1.18M EBITDA in 2Q20 and improved \$0.15M from negative \$2.84M in 1Q21.
- Net cash flow used by operating and investing activities of \$4.01M in 2Q21 improved by \$0.56M from \$4.57M cash used in operating and investing activities in 2Q20.

Emerald Quarter-end Financials

Selected Financial Information

The following table summarizes selected quarterly financial information for Emerald, which was derived

from the audited annual financial statements prepared in accordance with IFRS or the unaudited condensed interim consolidated financial statements prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34, Interim Financial Reporting:

2Q21 Key Financial and Operational Metrics

(Thousands of Canadian dollars)

	Q2 2021	Q1 2021
Financial Results		
Gross revenue	\$ 3,777	\$ 2,653
Net revenue (net of excise duty)	3,044	2,255
Cannabis gross revenue		
Dry cannabis	2,656	1,629
Cannabis oils	1,116	1,024
Other	5	-
Total SG&A (net of non-cash expenses and R&D expenses)	2,823	2,654
Total R&D expenses	640	272
Impairment of assets	10,668	-
Net income (Loss)	(13,956)	(2,900)
EBITDA*	(2,693)	(2,838)
Balance Sheet		
Cash and cash equivalents	26,886	31,297
Net working capital	32,266	46,259
Operational Results		
Average selling price (net of excise duty)		
Recreational	\$ 3.28	\$ 3.65
Medical	\$ 7.51	\$ 7.88
Kilograms sold of dried flower and kilogram equivalents		
Recreational	739	555
Medical	25	29

* EBITDA is a Non-GAAP measure and has been calculated by subtracting realized and unrealized changes in fair value of biological assets, and adding back depreciation, share-based payments, impairment of assets, and inventories written down to Loss from operations.

Key Corporate Initiatives and Accomplishments

New Product Development and Launches

In April, Emerald launched its new sublingual tablet product line, SYNC™ Tabs, under the SYNC Wellness brand. This naturally-flavoured ingestible offers a controlled 10 mg THC dose with predictable onset and offset. The tablets are available to consumers at licensed cannabis retailers and online in seven Canadian provinces including Ontario and BC. They are also available to patients with prescriptions via Emerald's Direct to Health medical e-commerce site.

Subsequent to the quarter-end, Emerald introduced its new Fuse™ lifestyle brand and latest product line, the Nano Shot, a 30 ml flavoured cannabis-infused beverage formulated with 10 mg of THC and a nanoemulsion formulation offering consumers a more predictable, rapid onset and shorter controlled duration of effects. The plant-derived Nano Shots are gluten-free and vegan, and come in multiple flavours. In July, the beverage became available to Emerald's patients via prescription and consumers at licensed cannabis retailers and online in British Columbia, Alberta and Manitoba, with subsequent

orders from two additional provinces.

Corporate Development

In April, Emerald began trading on the Canadian Securities Exchange ("CSE"), after delisting its shares from the TSX Venture Exchange on April 26, 2021. Listing its common shares on the CSE provides Emerald with increased flexibility to conduct business in the United States and is expected to result in lower filing, compliance, legal and other fees.

In May, Emerald entered into a license agreement with FlowerPod LLC ("FP"), agreeing 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. Emerald also provided FlowerPod with a loan of US\$350,000 that is repayable within two years and bears interest at 5% per annum. Emerald received a 19% equity ownership position in FlowerPod and is entitled to monthly license and research and development payments from FlowerPod. Full details of the product and intellectual property will be disclosed when FlowerPod commercially launches this new product, which it anticipates in late 2021 or early 2022.

Also in May, Emerald made a capital investment in The Uplifters' Prima, PBC ("Prima"), based in Santa Monica, California. Prima is focused on serving wellness-oriented consumers with science-driven CBD products formulated with plant-derived therapeutics and broad-spectrum hemp extract. The companies also established a letter of intent contemplating joint initiatives to co-develop new cannabinoid-based wellness products for sale in the United States, Canada, and internationally.

Mr. Moe Jiwan was hired as Chief Operating Officer in May. Subsequent to the quarter, Emerald added Nick Mosgrove as Vice President, Sales and Marketing. Avtar Dhillon, MD, resigned from his roles as director and Executive Chairman of Emerald's board of directors in August. Jim Heppell was appointed Chairman of the board of directors.

In July, Emerald retained a listing agent to assist in the sale of its licensed greenhouse cannabis production facility in Greater Vancouver, BC. As previously announced, Emerald ceased operations at this facility on March 31, 2021, and continues to operate its defined-scale production facility for premium cannabis in St. Eustache, Quebec, and its two separate new product development and processing facilities in British Columbia.

About Emerald Health Therapeutics, Inc.

Emerald is committed to creating new consumer experiences with distinct recreational, medical and wellness-oriented cannabis products, with an emphasis on science-based innovation and product excellence.

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Non-GAAP Financial Measures

Emerald reports non-GAAP measures which include EBITDA and working capital. These measures are widely used in the cannabis industry as a benchmark for performance, but do not have a standardized meaning and the methods used by Emerald to calculate such measures may differ from methods used by other companies with similar descriptions. EBITDA is defined as income (loss) before interest

expenses, taxes, depreciation and amortization. Refer to the table above for further information on the calculation of EBITDA used in this press release. Emerald uses these non-GAAP measures because they provide additional information regarding performance of Emerald's overall business that are not otherwise reflected under IFRS. See "Non-GAAP Measures" on page 32 of Emerald's MD&A for further details.

Neither the Canadian Securities Exchange nor the Market Regulator (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Statements: Certain statements made in this press release that are not historical facts are forward-looking statements and are subject to important risks, uncertainties and assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. Such statements include: Emerald's business plan and the execution of such plan; the impact of business deals entered into by Emerald; initiation of clinical trials; efficacy of the Company's products; the future success of Emerald; Emerald and its business partners obtaining the required regulatory approvals; business opportunities available to Emerald and its business partners; repayment of amounts owed to Emerald; the development and launch of new products by Emerald and its licensees; receipt of payments from licensees; and benefits of listing on the Canadian Securities Exchange. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control.

We cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. 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. Readers are 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 including any continued impact on production or operations; changes of law and regulations; changes of government; failure to obtain regulatory approvals; regulatory changes; receipt of amounts owing to Emerald; strategic development of Emerald; production and processing capacity of various facilities; failure to obtain necessary financing; results of scientific research; market and consumer demand and other patterns related to existing, new and planned product forms; timing for launch and shipment of new and existing product forms; performance of products; impacts of recalls of any of the Company's products; ability of new product forms to capture sales and market share; results of production and sale activities; sales volumes; incremental sales and more generally actions of customers, suppliers, partners, distributors, competitors or regulatory authorities; changes in prices and costs of inputs; demand for labour; demand for products; failure of counter-parties to perform contractual obligations; as well as the risk factors described in Emerald's annual information form and other regulatory filings.

The forward-looking statements contained in this press release represent our expectations as of the date hereof. Forward-looking statements are presented for the purpose of providing information about management's current expectations and plans and allowing investors and others to obtain a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Emerald undertakes no obligations to update or revise such statements to reflect new circumstances or unanticipated events as they occur, unless required by applicable law.



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