MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

EMBLEM CORP.

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

This Management's Discussion and Analysis ("MD&A") of Emblem Corp. and its subsidiary companies (collectively, "Emblem" or the "Company") provides a detailed analysis of the Company's business and compares its financial results with those of the previous year. This MD&A is dated as of August 22, 2018 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2018 (the "Condensed Interim Consolidated Financial Statements"). The Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise noted. All tabular amounts are expressed in thousands of Canadian dollars, except share or per share amounts.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2017 and 2016 (the "2017 Audited Financial Statements"). Additional information about Emblem, including the Company's press releases and Annual Information Form is available through the Company's filings with the securities regulatory authorities in Canada at www.sedar.com ("SEDAR").

2018 SECOND QUARTER HIGHLIGHTS

- **Recorded record revenues of $1.5 million in the second quarter of 2018**
  Revenues during the second quarter of 2018 amounted to over $1.5 million, marking the highest revenue per quarter ever recorded in Company history and representing a 180% increase over the three months ended June 30, 2017 and an 18% increase over the first quarter of 2018.

- **Industry leading revenue per gram equivalent sold to patients of $10.17 per gram**
  Sales of cannabis oils grew rapidly and represented 39% of total patient sales for the quarter, driving robust realized pricing

- **Over 4,000 active patients as at June 30, 2018, an increase of approximately 36% since the beginning of the second quarter of 2018.**

- **Investment in Fire & Flower Inc. and entered into 3-Year Supplier Agreement**
  During April 2018, the Company announced that Emblem will become a preferred cannabis supplier to Fire & Flower Inc. ("Fire & Flower"). Subject to certain approvals and required licensing, Emblem will supply Fire & Flower with Emblem branded cannabis products for an initial period of three years and, subject to compliance with applicable provincial regimes, the products will be sold in-store in all provinces in which Fire & Flower operates. The Company also purchased $2.5 million of units of Fire & Flower at a price of $0.80 per unit. Each unit consists of one common share and one common share purchase warrant with an exercise price of $1.05 per common share purchase warrant until April 18, 2020.

- **Announced commencement of research and development activities on oral sustained release formulations in collaboration with Canntab Therapeutics Limited ("Canntab")**
  Emblem and Canntab entered into a collaboration and licensing agreement in October 2017 related to development, regulatory approval, manufacturing, and commercialization of Canntab's patent-pending Sustained Release Product.

- **Announcement of joint venture with German pharmaceutical wholesaler Acnos Pharma GmbH ("Acnos")**
  In June 2018, the Company announced the formation of a joint venture under the name of "Emblem Germany" (the "JV") with Acnos, upon signing a letter of intent, for the purpose of exporting Emblem branded cannabis products into Germany. Subject to completing the definitive agreement with Acnos, satisfying applicable regulatory requirements in both Canada and Germany and receipt of European Medical Agency Good Manufacturing Practice ("GMP") certification at the Woodslee Facility, Emblem expects to begin exporting Emblem branded cannabis products into Germany in mid-2019.

- **Appointed e.vestor Communications Inc. ("EVC") as the Company's capital markets and investor relations advisor through EVC's principal, Cory Pala**
  In May 2018, the Company appointed e.vestor Communications Inc. ("EVC") as the Company's capital markets and investor relations advisor through EVC's principal, Cory Pala. EVC's mandate will focus on providing capital markets guidance and support for Emblem through coordinated efforts to navigate the capital markets and support the Company's continued listing on the TSX Venture Exchange ("TSXV"). EVC will provide the Company with additional capital markets access, investor relations advisory services and broaden awareness of Emblem generally among the investment community.

DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2018

- **Increased patient count to approximately 4,430 patients as at the date of this MD&A**

- **Signed supply agreement with the Alberta Gaming Cannabis Commission ("AGLC")**
  In July 2018, the Company announced that Emblem Cannabis Corporation ("ECC"), a wholly-owned subsidiary of the Company, completed an agreement with the AGLC to supply the province of Alberta with high quality cannabis products upon legalization on October 17, 2018. Products will be available under Emblem's new adult-use focused brand "Symbl". The supply agreement supports the Company's multi-provincial roll-out plan and strategic investment in Fire & Flower, which is expected to have a strong presence in the Alberta market.

- **Launch of Adult-use cannabis brand, Symbl**
  Symbl was launched as the Company's first adult-use cannabis brand. Leveraging the Company's existing brand strength in the medical market, Symbl has been carefully crafted to be an approachable brand for Canadians as they navigate the new cannabis landscape come legalization on October 17, 2018. Tailored to meet the needs of both novice and seasoned consumers, Symbl will offer a curated selection of signature cannabis products in both dried flower and oil formats.

- **Strategic Investment and Letter of Intent with Natura Naturals Inc. ("Natura")**
  Emblem announced a $3 million strategic equity investment in Natura, a 662,000 square foot licensed greenhouse cultivator of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). Emblem and Natura also signed a three-year cannabis supply agreement to provide Emblem up to 3,000 kilograms of high-quality cannabis flower per year at preferred wholesale pricing with initial product deliveries beginning in the fourth quarter of 2018.

  Shortly after the Company's strategic equity investment in Natura, the Company signed a Letter of Intent ("LOI") to acquire all of the issued and outstanding securities of Natura that it did not already own for $25 million in cash, $12.5 million in mortgage financing and 26,102,941 common shares of Emblem (the "Transaction"). Based on Emblem's 45-day volume weighted average price ("VWAP") at the time of the announcement of $1.36, the implied transaction value is $76 million (inclusive of Natura shares already owned by Emblem as part of the strategic equity investment above).

  On completion of the Transaction, Emblem plans to further its aggressive approach to sales growth both domestically and internationally, backed by the robust supply from the Natura greenhouse with an annualized production capacity of 70,000 kilograms by the end of 2019. The final terms and closing of the Transaction are subject to the negotiation and execution of a definitive agreement and certain other customary conditions including the receipt of all necessary regulatory approvals. The Transaction is expected to close in the third quarter of 2018.

- **Launch of new health and beauty line with GreenSpace Brands Inc. ("GreenSpace")**
  In August 2018, Emblem announced its strategic partnership with GreenSpace, a highly-regarded consumer packaged goods ("CPG") company, to develop and commercialize cannabidiol ("CBD") infused health and beauty products for the expected adult-use cannabis market. Under the terms of the partnership, GreenSpace commited to a five-year exclusive cannabis-based CBD supply agreement with Emblem. In addition, Emblem made a $2 million investment in GreenSpace comprised of $1 million in common shares of Emblem at a 20-day VWAP of $0.976 per share and $1 million in unsecured convertible debentures to fund the start-up of GreenSpace's CBD business. Emblem will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabis-based CBD product sales.

- **Trading on OTC Markets Group Inc. ("OTCQX")**
  On August 8, 2018, the Company began trading on OTCQX Best Market under the symbol "EMMBF". Graduating to the top tier OTCQX provides easier and wider trading access for the Company's investors in the United States.

- **Emblem enters into supply agreement with operator of the Ontario Cannabis Store ("OCS")**
  On August 21, 2018, Emblem announced that ECC was selected as one of 26 licensed producers to supply Ontario for the adult-use recreational market, through an agreement with the operator of the OCS, to supply the province with locally-grown, premium cannabis products.

ABOUT EMBLEM

Emblem, through its wholly-owned subsidiary ECC, is a fully integrated licensed producer and distributer of medical cannabis and cannabis derivatives in Canada, under the ACMPR. Emblem's state-of-the-art indoor cannabinoid factory and research and development facility is located in Paris, Ontario. Led by an experienced management team of healthcare executives, accomplished marketing professionals, and cannabis experts, Emblem is focused on driving shareholder value through product innovation, brand relevance, and access to patient and consumer channels.

On August 26, 2015, ECC received its initial licence that permitted ECC to produce cannabis (the "Licence"). The Licence was amended on July 27, 2016 to allow for the sale of medical cannabis to the public and to permit increased production. The Licence was further amended on April 28, 2017 to authorize ECC to produce cannabis oils and was amended again on October 6, 2017 to remove restrictions on the amount of cannabis (in all forms) to be produced and sold by ECC. On November 3, 2017, ECC received a subsequent amendment to permit the Company to sell cannabis oil. The Licence has a current term ending on July 26, 2019. Emblem's production operations are located in Paris, Ontario.

On January 1, 2018, the Company held an indirect 50% interest in GrowWise, a company incorporated under the *Business Corporations Act* (Ontario). The remaining 50% was held by White Cedar Pharmacy Corporation ("White Cedar"). As one of Canada's leading cannabis education services, GrowWise offers education services and other related services to prospective medical patients in Canada. In March 2018, the Company exercised its option to acquire all the remaining shares of GrowWise for $1.

Emblem Corp. is a Canadian public company with common shares listed under the trading symbol "EMC" on the TSXV.

The Company commenced trading on the TSXV on December 12, 2016.

COMPANY OVERVIEW

Emblem's principal business is the sale of cannabis to patients who have received medical authorizations to acquire and use cannabis. A significant proportion of the cannabis sold by Licensed Producers (as such term is defined under the ACMPR) in Canada takes the form of dried flower. In 2015, it became lawful to extract the cannabis active ingredients, dissolve them in appropriate carrier oils and sell the resulting cannabis oils to qualified patients. Emblem currently produces and sells dried cannabis and cannabis oils to qualified patients.

The Company began selling cannabis oils to qualified patients in December 2017, after receiving an amendment to its Licence in November 2017 to permit the Company to sell bottled cannabis oil under the ACMPR.

Emblem carries on its business in Canada. It is a policy of the Company that it will not carry on business or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is federally unlawful.

Production Facilities

The Company's existing facility was built at the site of a pre-existing agricultural production facility in Paris, Ontario. The facility is located on three acres of industrial zoned lands (M2 Special Industrial) that are suitable for significant expansion. The facility has convenient access to the Macdonald-Cartier Freeway (Highway 401) and Highway 403. The facility currently consists of a 25,000 square foot production building (the "Woodslee Production Facility").

Phase 1 & 2 – Woodslee Production Facility Expansion

The Woodslee Production Facility was renovated for Phase 1 of the Company's three-phase expansion plan. Phase 1 was completed to incorporate 2,400 square feet of mothering and vegetation rooms and 3,200 square feet of two flowering rooms together with attendant drying, packaging and fulfillment areas, vault area and administration. The production building also was renovated to create an additional four grow rooms ("Phase 2") comprising 5,800 square feet, in the aggregate. Three of these rooms, totaling approximately 4,200 square feet, were completed in September 2017. Health Canada licensed the three grow rooms in October 2017. The fourth grow room, of approximately 1,600 square feet, is expected to be fitted-out and equipped for cultivation by the fourth quarter of 2018, after the completion of the Phase 3 expansion outlined below. After completion of Phase 2, the Company expects the existing facility will allow it to produce approximately 2,000 kilograms of cannabis annually, based on expected production of 1.2 grams per watt and 5.3 harvests per room, per year. The Company completed a retro-fit of the three grow rooms in March 2018, in order to improve environmental control of those rooms.

Each of these new grow rooms has been engineered to allow the Company's cultivation team to achieve very exacting environmental standards for humidity and temperature. The Company's objective is to be able to produce the highest quality and most consistent product possible.

The Company currently sets a standard for cultivation volume for internal control and for measuring return on investment of one gram per watt per harvest. Recent production in the current grow rooms has averaged approximately one gram per watt and the Company expects further improvements in this metric as it gains experience with the three new retro-fitted incumbent grow rooms.

Phase 3 – Woodslee Production Facility Expansion

Emblem has designed and has commenced construction of a 30,000 square foot expansion to the Woodslee Production Facility ("Phase 3"). A major component of this expansion is a GMP extraction facility, analytical laboratory and pharmaceutical production facility. The GMP facility will enable Emblem to produce oils and other advanced formulations of cannabis medications to exacting standards and at considerable scale. In addition, the GMP facility will enable Emblem to explore export markets for oils and other advanced formulations. The Phase 3 facility will also facilitate the research and development activities required to pursue these advanced formulations. The 30,000 square foot expansion building will also house additional administration space, cannabis storage, warehousing, shipping, receiving and space for materials handling. Emblem expects the expansion to be completed in the fourth quarter of 2018.

Natura Transaction

Based in Leamington, Ontario, Natura operates a 662,000 square foot licensed greenhouse that is currently undergoing a phased conversion and retrofit that is expected to bring up to 15,000 kilograms of annualized cannabis production online in 2018. Once completed in 2019, the facility is expected to bring total annualized cannabis production capacity to approximately 70,000 kilograms per year by the end of 2019. With more than 40 years of greenhouse production experience, Natura will bring a wealth of expertise and talent, with the capacity to produce high-quality, greenhouse-grown cannabis at a lower cost than an indoor facility. The final terms and closing of the Transaction are subject to the negotiation and execution of a definitive agreement and certain other customary conditions including the receipt of all necessary regulatory approvals. The Transaction is expected to close in the third quarter of 2018.

As a result of the Transaction with Natura, the Company has made the decision to suspend greenhouse construction plans at the Paris Road location.

GrowWise Healthcare Centres

GrowWise operates medical cannabis education centres to provide tailored guidance to patients who have been prescribed medical cannabis and to assist these patients in registering with and ordering cannabis from a Licensed Producer. GrowWise education centres have been established in a variety of clinical settings, such as specialty pain management clinics. Additionally, GrowWise operates focused medical cannabis clinics, providing patients with access to assessment services from qualified physicians. As at June 30, 2018, GrowWise offered education to patients from 18 locations (December 31, 2017 – 16 locations), offered education through its call centre and had registered over 7,700 patients with Licensed Producers (December 31, 2017 – 5,200). GrowWise plans to expand its education center presence within existing clinics. Currently, GrowWise has a presence in Ontario and British Columbia. The Company expects that GrowWise will continue to be an important source of patient referrals over time.

The traditional pharmacy dispensing function involves two principal aspects: (i) the fulfillment of the prescription, which results in the patient receiving his or her medication; and (ii) the education function, during which the pharmacist interacts with the patient to ensure proper consumption of the medication and to address any potential side effects or contraindications. Licensed Producers are undertaking an activity akin to the fulfillment aspect of the traditional pharmacy dispensing process. However, the ACMPR contains no provision relating to the education aspect of the traditional pharmacy dispensing process. This has created a challenge for both patients and prescribing physicians as we believe that patients need this education function. GrowWise was established to fill this void.

Additionally, the Canadian physician community has been exceedingly cautious in prescribing medical cannabis. Consequently, prospective patients may encounter considerable difficulty accessing the ACMPR system. As a result, a number of specialty clinics have arisen across Canada providing medical cannabis prescription services and have become the primary access point for most patients seeking legal access to cannabinoid treatment.

The Company concluded that it could not be a successful competitor in the medical cannabis industry without a strong understanding of where its patients would come from. The ultimate purpose of developing these education centres is to enjoy a secure and economically advantageous source of patients for the Company's medical cannabis offerings.

GrowWise does not charge a fee to patients for providing healthcare support or the education component of the cannabis dispensing function. Instead, GrowWise charges all Licensed Producers an education fee based on the cost of cannabis medication fulfilled for a GrowWise patient. The education component of the cannabis dispensing function is provided by registered nurses employed by GrowWise.

Pharmaceutical Development

Currently all medical authorizations for cannabis use are fulfilled in the form of dried flower (which is inhaled) or cannabis oil (which is taken orally). These are not ideal dosage formats for medications. Emblem, through its medical division, upon approval by Health Canada, intends to develop and bring to market cannabinoid-based medication in standard pharmaceutical dosage formats (pills, capsules, sub-lingual dosage forms and metered-dose sprays). Prior to bringing such products to market, the Company will submit data to Health Canada demonstrating the potency, purity and stability of the formulations. Upon acceptance of such data by Health Canada, the Company will seek to amend the Licence to allow the sale of such products to patients.

Production of cannabis oils and pharmaceutical formulation activities involving cannabinoids may only be conducted under the ACMPR by Licensed Producers. To comply with the ACMPR, the Company's medical division is therefore operated by ECC and not through a separate subsidiary.

Cannabis oils

The Company began selling cannabis oil products to authorized patients in December 2017. Each cannabis oil is packaged with an oral syringe to ensure consistency and accuracy in measuring how much oil is ingested, allowing patients to better titrate and administer each dose the exact same way. Used to treat a variety of conditions and ailments, cannabis oils help with various health problems and allow for a consistent, standardized dosage that produces a specific effect each time.

The Company's current laboratory can produce up to 5,000 bottles (60 millilitres each) per month of various cannabis oils. The Company will be able to double its production capacity once the GMP laboratory is completed.

Oil-filled capsules
The Company installed the equipment necessary for the production of oil-filled capsules in the second quarter and began running test batches in the third quarter of 2018. The Company expects to begin selling oil-filled capsules to patients in the fourth quarter of 2018, subject to Health Canada approval. Capsules will be an improved dosage format as each capsule will contain a measured dose and therefore allow physicians and patients to more accurately titrate their cannabis dosages. The Company expects that oil-filled capsules will to some extent displace simple oils, but that in the aggregate, capsules will be accretive to the total cannabis oils market.

Sustained Release Product
The Company further expects that as dried flower is displaced in the medical cannabis market by oils and oils are, in turn, displaced by more advanced pharmaceutical formulations, the effect will be accretive to market. The Company intends to participate in the development of such advanced pharmaceutical dosage formats. In pursuit of this strategy, the Company entered into the collaboration and licensing agreement (the "CL Agreement") with Canntab on the preclinical formulation, clinical development, regulatory approval, manufacturing and commercialization of a Canntab developed patent pending oral sustained release formulation of cannabinoids. During the second quarter of 2018, the Company commenced research and development activities on oral sustained release formulations of cannabinoids. The Company expects to sell, subject to Health Canada approval, sustained release pills or capsules in 2019.

Sustained release dosage forms are designed to release the active pharmaceutical ingredient at a predetermined rate in order to maintain a constant drug concentration over a specific period of time, resulting in a longer duration of action from a single dose and often with reduced side effects. Immediate release dosage forms of cannabinoids tend to lose therapeutic effects in four to six hours requiring subsequent re-administration and the risk of reduced patient compliance.

The CL Agreement requires the Company to make payments to Canntab upon achievement of certain milestones involving dissolution and stability studies, bio-availability studies and regulatory approval of the sustained release pills or capsules. The CL Agreement also requires Emblem to make royalty payments to Canntab based on gross sales of the product.

Oral Sprays

The Company entered into a licensing agreement with Dosecann Inc. ("Dosecann"), pursuant to which the companies will develop a cannabis-oil oral spray dosage form. The companies expect to bring metered-dose oral spray formulations to the market during the third quarter of 2018, subject to Health Canada approval.

The licensing agreement involves a number of research related aspects including pre-clinical formulations, clinical development, as well as regulatory approval, manufacturing and commercialization and distribution of a range of cannabinoid dosage forms. Dosecann will receive royalty payments from Emblem on sales of Emblem branded products, while Emblem will receive royalties from Dosecann on sales of Dosecann branded products.

Adult Recreational Market

The Canadian government has announced the legalization of cannabis, rendering adult-use recreational cannabis lawful throughout Canada as of October 17, 2018. Only cannabis cultivated by Licensed Producers will be lawful for consumption. In June 2018, Bill C-45, *an Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "Cannabis Act"), was approved by Parliament and the regime over the adult-use recreation cannabis market will become law on October 17, 2018.

The federal government has indicated that regulation of the sale of adult-use recreational cannabis in retail environments will be the responsibility of the provinces and territories. For more details on the proposed regulatory regimes of each province and territory, refer to section PROPOSED REGULATORY REGIMES BY CANADIAN PROVINCE AND TERRITORY below. A change to the proposed regulatory regime by Ontario was announced in July and August 2018, in which the new Conservative government of Ontario intends to introduce legislation that would open up a tightly regulated private retail model in the province signifying a shift from the public retail landscape set out by the predecessor Liberal government. The landscape of Ontario's retail landscape is yet to be solidified, but the Ontario government has indicated that such private retail regime shall be launched by April 1, 2019.

The federal government also announced that the sale of cannabis edible products and concentrates would be authorized no later than 12 months following the coming into force of the proposed legislation. By that time, regulations would be made to address the specific risks associated with various types of products. The Company intends to dedicate additional resources to supply premium vape pens, edible products and beverage products into the adult-use recreation market as soon as lawfully permitted.

Emblem's current intention is to enter the adult-use recreational market with a focused offering of approximately 4 strains of tetrahydrocannabinol (THC) (indica dominant, sativa dominant and hybrid) premium quality dried flower produced out of its Woodslee Production Facility. Natura's Greenhouse, once complete, is planned to provide up to 70,000 kilograms of product on an annual basis to be sold as dried flower, extracted for use in concentrates and edibles for the adult-use recreation market, or use as an active ingredient for its pharmaceutical production.

The Company is also preparing strategic branding to target the adult-use recreation market, separate from its medical/pharmaceutical products. The Company has signed an agreement with the AGLC to supply the province of Alberta with high quality cannabis products upon legalization on October 17, 2018. Products will be available under Emblem's new adult-use focused brand "Symbl". The supply agreement also supports the Company's multi-provincial roll-out plan and strategic investment in Fire & Flower.

SELECTED ANNUAL FINANCIAL INFORMATION

The selected financial information set out below may not be indicative of the Company's future performance.

(Expressed in thousands of Canadian dollars, except per share amounts)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operations:				
Revenues	**$ 1,508**	$ 538	**$ 2,785**	$ 1,442
Gross profit (loss)	**$ (159)**	$ -	**$ 23**	$ (89)
EXPENSES				
General and administrative	**$ 2,083**	$ 1,330	**$ 3,721**	$ 2,228
Research and development	**$ 62**	$ 101	**$ 147**	$ 198
Selling and marketing	**$ 1,277**	$ 641	**$ 2,169**	$ 1,473
Amortization of property, plant and equipment	**$ 402**	$ 261	**$ 785**	$ 493
Share-based payments	**$ 24**	$ 590	**$ 424**	$ 895
Net loss and comprehensive loss	**$ (4,795)**	$ (2,954)	**$ (8,632)**	$ (5,450)
Weighted average basic and diluted loss per share	**$ (0.04)**	$ (0.03)	**$ (0.07)**	$ (0.07)
Adjusted EBITDA	**$ (4,119)**	$ (2,051)	**$ (6,552)**	$ (3,946)

(Expressed in thousands of Canadian dollars)	At June 30, 2018	At December 31, 2017
Financial Position:		
Cash and cash equivalents	**$ 73,388**	$ 37,746
Working Capital	**$ 78,484**	$ 37,791
Property, plant and equipment	**$ 34,709**	$ 29,911
Total assets	**$ 118,124**	$ 73,150
Total long-term liabilities	**$ 24,057**	$ 16,234

RESULTS OF OPERATIONS

SUMMARY

Emblem received the amendment to its Licence in mid-2016, permitting it to sell cannabis to registered medical patients, and began selling to registered medical patients during the fourth quarter of 2016. As a result, Emblem's operations, sales activity, governance and investor relations activities increased during 2017 and into 2018.

REVENUES

During the three and six months ended June 30, 2018, total revenues increased by 180% and 93%, respectively, from the prior year's comparable periods. The increase in revenues was a result of the commencement of oil sales during December 2017 and higher revenues from GrowWise during the first half of 2018.

While the Company has sold and may continue to sell some of its dried flower and oil products to Licensed Producers, the Company primarily sells its dried flower and oil products directly to authorized patients who have registered with the Company either by phone or online. All cannabis products purchased are paid for by credit card, with the exception of purchases made by veterans. Veteran purchases, up to the limit established by Veterans Affairs Canada, are sold on credit with payment received from authorized insurance providers. Patient support is critical to success in the medical cannabis business. Emblem has established a robust and user-friendly website and e-commerce platform to ensure the best possible patient experience. Emblem has also established a well-staffed, award-winning call-centre to provide real-time support to its patients. All products purchased by registered patients are delivered by authorized courier directly to the patient.

Patients may register directly with Emblem on their own, but a substantial portion of patients (approximately 95%) register through specialized educational clinics including GrowWise. GrowWise generates revenue by receiving an education fee from Emblem and other Licensed Producers. During the three and six months ended June 30, 2018, GrowWise generated total revenues of $251,000 and $463,000 (June 30, 2017 - $131,000 and $195,000), an increase of 92% and 137%, respectively, from the prior year's comparable periods.

As at June 30, 2018, Emblem's active registered patient count totaled approximately 4,000 (December 31, 2017 – 2,700), with 1,110 patients registered through GrowWise representing 28% of Emblem's patient count (December 31, 2017 – 320 or 12% of Emblem's patient count). Patient growth has continued since June 30, 2018 and as at the date of this MD&A, the Company has approximately 4,430 registered patients.

Dried Flower

During the three and six months ended June 30, 2018, revenues of dried cannabis flower purchased by registered medical patients amounted to $499,000 and $956,000 (June 30, 2017 - $398,000 and $859,000), respectively. Revenues of dried cannabis flower purchased by Licensed Producers amounted to $182,000 and $576,000 (June 30, 2017 - $nil and $362,000), respectively.

Total dried flower sold to medical patients during the three and six months ended June 30, 2018 amounted to 58.6 kilograms and 111.4 kilograms of dried flower (June 30, 2017 – 53.9 kilograms and 108.6 kilograms), at an average selling price of $8.58 per gram and $8.59 per gram (June 30, 2017 - $8.41 per gram and $7.90 per gram), respectively. Total dried flower sold to Licensed Producers during the three and six months ended June 30, 2018 amounted to 38.8 kilograms and 109.9 kilograms of dried flower (June 30, 2017 – nil and 90.0 kilograms), at an average selling price of $5.00 per gram and $5.25 per gram (June 30, 2017 - $nil and $4.02 per gram), respectively.

Oils

During the three and six months ended June 30, 2018, revenues from cannabis oil products amounted to $320,000 and $507,000 or 39% and 35% of total sales to medical patients, respectively. Revenues from sales to other Licensed Producers amounted to $221,000 for the three and six months ended June 30, 2018.

Total bottled oils sold to medical patients during the three and six months ended June 30, 2018 were approximately 22.0 kilogram equivalents and 35.4 kilogram equivalents, at an average selling price of $14.51 per gram equivalent and $14.31 per gram equivalent, respectively. Total bottled oils sold to Licensed Producers were 28.3 kilogram equivalents during the three and six months ended June 30, 2018, at an average selling price of $7.83 per gram equivalent.

Prior to December 2017, the Company did not sell cannabis oil products until it received its Licence in late 2017.

Accessories

Occasionally, the Company sells accessories such as vaporizers to medical patients. During the three and six months ended June 30, 2018, the Company generated $16,000 and $28,000 in sales from accessories (June 30, 2017 - $9,000 and $27,000).

COST OF SALES AND UNREALIZED GAIN ON CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Cost of sales includes production costs expensed and the cost of inventory sold.

Direct and indirect production costs include processing, testing, packaging, real estate taxes, quality assurance, insurance, security, inventory and production management, and other related expenses. Since production costs are expensed directly to cost of sales. Production costs also relate to costs incurred before harvest, which includes inventories sold as well as inventory and biological assets remaining on hand at the period end.

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with IAS 2 Inventories. The cost of inventories includes the fair value of the cannabis at harvest and costs incurred after harvest (such as quality assurance costs, fulfillment costs and packaging costs) to bring the products to their present location and condition.

Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. The net change in fair value of biological assets fluctuate period over period, based on the number of pre-harvest plants, the strains being grown, and the stage of the grow cycle that the pre-harvest plants are in, at the end of the period. At harvest, the biological assets are transferred to inventory at their fair value less costs to sell, which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold.

Cost of sales for the three and six months ended June 30, 2018 was $2,495,000 and $4,369,000 (June 30, 2017 – $1,111,000 and $2,494,000), respectively, and unrealized gain on changes in the fair value of biological assets was $828,000 and $1,607,000 (June 30, 2017 - $573,000 and $963,000), respectively. During the three and six months ended June 30, 2018, cost of sales includes costs relating to inventory sold of $1,061,000 and $1,664,000 (June 30, 2017 - $302,000 and $855,000), production costs of $1,281,000 and $2,425,000 (June 30, 2017 - $726,000 and $1,488,000 and patient costs of $153,000 and $280,000 (June 30, 2017 - $83,000 and $151,000), respectively. The higher production costs during the three and six months ended June 30, 2018 compared to 2017 are related to the higher production volumes resulting from the commissioning of three additional flowering rooms in the fourth quarter of 2017.

During the three and six months ended June 30, 2018, the Company harvested 275 kilograms and 491 kilograms of dried cannabis flower (June 30, 2017 – 131 kilograms and 205 kilograms), respectively.

As at June 30, 2018 the Company had 4,049 plants growing in the flowering and vegetation rooms of its facilities (December 31, 2017 – 1,293 plants). These plants are expected to produce approximately 257 kilograms of dried cannabis flower (December 31, 2017 – 216 kilograms).

GROSS PROFIT (LOSS)

Gross profit (loss) for the three and six months ended June 30, 2018 was a gross loss of $159,000 and gross profit of $23,000 compared to a gross loss of $nil and $89,000 for the prior year's comparable periods, respectively. Higher revenues and unrealized gains on changes in fair value of biological assets were partly offset by production costs as operations ramped up and costs relating to inventory sold as sales volumes increased.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by $753,000 and $1,493,000 or 57% and 67% during the three and six months ended June 30, 2018, respectively, when compared to the prior year's comparable periods, and is primarily due to the continued build-out of the Company's management team, as well as higher business development, legal and consulting fees incurred in connection with various strategic initiatives the company is pursuing across cultivation expansion, product development and distribution.

Costs incurred in relation to the Woodslee Production Facility were $681,000 and $1,045,000 during the three and six months ended June 30, 2018 (June 30, 2017 - $720,000 and $952,000), respectively.

Over the same periods, costs incurred in relation to GrowWise education centres were $287,000 and $502,000 (June 30, 2017 - $203,000 and $377,000), respectively.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs decreased by $39,000 and $51,000 or 39% and 26% during the three and six months ended June 30, 2018, respectively, when compared to the prior year's comparable periods. With the receipt of the Licence to sell cannabis oil in late 2017, the focus for 2018 is the development of oil-filled capsules, oral sprays and sustained release formulations. Research and development costs for the oral sprays and sustained release formulations are minimized through licensing agreements with Dosecann and Canntab.

SELLING AND MARKETING COSTS

Selling and marketing costs increased by $636,000 and $696,000 during the three and six months ended June 30, 2018, respectively, when compared to the prior year's comparable periods. The increase is mainly due to brand development, brand awareness, and media campaigns, to support the launch of the Company's new adult-use recreational brand Symbl, in anticipation for the legalization of cannabis on October 17, 2018.

Costs incurred in relation to GrowWise education centres amounts to $111,000 and $341,000 during the three and six months ended June 30, 2018 (June 30, 2017 - $142,000 and $423,000), respectively.

AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Amortization of property, plant and equipment increased by $141,000 and $292,000 during the three and six months ended June 30, 2018, when compared to the prior year comparable period. The increase was the result of significant additions made to depreciable property, plant and equipment during 2017 and throughout 2018, that are being depreciated during the first half of 2018.

SHARE-BASED PAYMENTS

Share-based payments decreased by $566,000 and $471,000 during the three and six months ended June 30, 2018, when compared to the prior year's comparable periods due primarily to the forfeiture of unvested stock options granted in previous periods. Share-based payments are valued using the Black-Scholes valuation model and represent a non-cash expense.

NET LOSS AND COMPREHENSIVE LOSS

During the three and six months ended June 30, 2018, the Company generated a net loss of $4,795,000 and $8,632,000 (June 30, 2017 - $2,954,000 and $5,450,000), due to an operating loss of $4,007,000 and $7,223,000 (June 30, 2017 - $2,923,000 and $5,376,000), net finance costs of $788,000 and $1,409,000 (June 30, 2017 - $52,000 and $116,000) and other income of $nil and $nil (June 30, 2017 - $21,000 and $42,000), respectively.

Net finance costs during the three and six months ended June 30, 2018 were mainly related to interest payments made on long-term debentures consisting of a promissory note and convertible debentures of $921,000 and $1,072,000 (June 30, 2017 - $110,000 and $220,000), amortization of present value discounts and financing costs incurred on the long-term debentures of $461,000 and $825,000 (June 30, 2017 - $125,000 and $137,000) and interest income earned and/or accrued of $310,000 and $516,000 (June 30, 2017 - $75,000 and $132,000), respectively. Refer to the *LIQUIDITY AND CAPITAL RESOURCES* section for details on the Company's long-term debentures.

NON-GAAP MEASURES

In addition to discussing earnings measured in accordance with IFRS, this MD&A provides an amount for adjusted earnings or loss before interest, tax, depreciation and amortization ("Adjusted EBITA"). The Company calculates Adjusted EBITDA as a sum of net loss, net finance costs, depreciation, share-based payments, unrealized gain or loss from changes in fair value of biological assets, the fair value adjustment to cost of sales, and gain or loss on revaluation of financial instruments, as determined by management. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes for public companies in the Company's industry.

(Expressed in thousands of Canadian dollars)	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Net loss and comprehensive loss	**$ (4,795)**	$ (2,954)	**$ (8,632)**	$ (5,450)
Unrealized gain on changes in fair value of biological assets	**(828)**	(573)	**(1,607)**	(963)
Fair value adjustment to cost of sales	**290**	573	**1,069**	963
Amortization of property, plant and equipment	**402**	261	**785**	493
Share-based payments	**24**	590	**424**	895
Finance costs	**788**	52	**1,409**	116
Adjusted EBITDA	**$ (4,119)**	$ (2,051)	**$ (6,552)**	$ (3,946)

The Company's Adjusted EBITDA decreased by $2,068,000 and $2,606,000 during the three and six months ended June 30, 2018, when compared with the three and six months ended June 30, 2017, mainly due to higher operating expenses during the current periods.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Expressed in thousands of Canadian dollars)	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenues	$ 1,508	$ 1,277	$ 660	$ 593
Gross (loss) profit	$ (159)	$ 182	$ 529	$ 50
Operating loss	$ (4,007)	$ (3,216)	$ (3,183)	$ (2,724)
Net loss & comprehensive loss	$ (4,795)	$ (3,837)	$ (3,839)	$ (2,812)
Loss per share - basic and diluted	$ (0.04)	$ (0.03)	$ (0.04)	$ (0.03)

	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenues	$ 538	$ 903	$ 239	$ 29
Gross (loss) profit	$ -	$ (89)	$ (324)	$ 40
Operating loss	$ (2,924)	$ (2,452)	$ (2,445)	$ (1,262)
Net loss & comprehensive loss	$ (2,954)	$ (2,496)	$ (8,797)	$ (5,538)
Loss per share - basic and diluted	$ (0.03)	$ (0.04)	$ (0.13)	$ (0.14)

Significant items causing variations in quarterly results

- The Company began selling cannabis products during the third quarter of 2016. Revenues gradually increased during 2017, with the exception of significant revenues earned during the first quarter of 2017 relating to dried cannabis flower sold to other Licensed Producers. Revenues during the half of 2018 included significant sales of oil cannabis products to patients, as well as dried cannabis flower and oil cannabis products sold to other Licensed Producers.
- Production costs included in cost of sales during the first half of 2018 increased as operations ramped up and as sales volumes increased. Production costs include costs incurred before harvest on inventory and biological assets remaining on hand at the period end. As such, the increase in cost of sales is indirectly related to the increase in inventories and biological assets during any given period. During the second quarter of 2018, cost of sales was higher than revenues, resulting in a gross loss.
- Gross profit or loss is largely impacted by the unrealized gain on the change in fair value of biological assets. Unrealized gain on the change in fair value of biological assets decreased from $1,162,000 in the fourth quarter of 2017 to $779,000 in the first quarter of 2018 and $828,000 in the second quarter of 2018, due to the retro-fit of the three grow rooms in the first quarter of 2018.
- Operating costs gradually increased as the Company ramped up production and sales during 2017 and into 2018.
- During 2016, net loss and comprehensive loss included transaction costs related to the Company's reverse take-over transaction and loss on revaluation of the Class A preferred shares and broker warrants (refer to the Company's 2017 Audited Consolidated Financial Statements).

LIQUIDITY & CAPITAL RESOURCES

The Company's cash and cash equivalents totalled $73,388,000 at June 30, 2018 compared to $37,746,000 at December 31, 2017. Cash and cash equivalents as at June 30, 2018 were held with Canadian banks and credit unions. The Company has a policy of investing its available cash in Canadian guaranteed investment certificates with highly rated financial institutions.

For the six months ended June 30, 2018, net cash used by operating activities was $8,493,000 (June 30, 2017 - $6,334,000). In both comparable periods, cash was primarily utilized to ramp up operating activities, fund working capital timing differences, build a world-class team both at the Woodslee Production Facility and the Company's head office, build awareness of the Company's brands through advertising and media, and to cover governance and investor relations costs.

During the six months ended June 30, 2018, net cash used by investing activities was $7,919,000 (June 30, 2017 - $11,058,000) for the purchase of and deposits on property, plant and equipment of $5,419,000 (June 30, 2017 - $11,058,000) and for the investment in Fire & Flower of $2,500,000 in April 2018.

The Company generated cash of $52,054,000 from financing activities during the six months ended June 30, 2018 (June 30, 2017 - $14,853,000). The increase was partly related to net proceeds received from prospectus offerings and/or other financings for a total of $26,673,000 (June 30, 2017 - $14,440,000), cash received of $23,205,000 in connection with the issuance of the convertible debt (June 30, 2017 - $nil) and proceeds from the exercise of options and warrants of $2,176,000 (June 30, 2017 - $413,000).

In addition to its cash balance, the Company can currently accelerate the exercise of certain "in-the-money" warrants outstanding. Assuming the exercise of such warrants as at June 30, 2018, such an acceleration may provide the Company with approximately $7,265,000 of additional funding and result in a pro-forma cash and cash equivalents balance of $80,653,000 as at June 30, 2018.

In January 2018, the holders of convertible debt exercised their option to convert their debentures into common shares of the Company, resulting in a $15,000,000 reduction of debt.

As at the date of this MD&A, after considering the strategic equity investment in Natura for $3,000,000, capital expenditures incurred at the Woodslee Production Facility in the interim period, and the investment in GreenSpace for $2,000,000, the Company has approximately $66,000,000 in cash and cash equivalents and sales taxes receivable.

As of the date of this MD&A, the Company's current plans, assuming completion of the Transaction with Natura, include utilizing the funds as follows:

(Expressed in millions of Canadian dollars)		
Woodslee Production Facility - Phase 3	$	10
Natura Transaction, including cost to complete Phase 1		30
Pharmaceutical and adult-use formulation development		3
General corporate purposes		23
	$	**66**

Long-Term Debts

Promissory Note

During 2016, the Company entered into a promissory note in the amount of $5,500,000 (the "Promissory Note"). The Promissory Note is secured by first charge on the Woodslee Production Facility and a general security agreement with a fixed charge over all assets of the Company and a share pledge of all ECC and GrowWise shares. Interest-only payments at a rate of 8% per annum are due monthly. The Promissory Note is repayable in full on December 12, 2019. The Company has an option to repay the Promissory Note in full on December 12, 2018.

Convertible Unsecured Debentures

In November 2017, the Company issued convertible debentures (the "Nov 2017 Convertible Debt") in connection with a bought deal short form prospectus offering. The Nov 2017 Convertible Debt was sold at a price of $1,000 per convertible debenture for gross proceeds of $15,000,000, under the following terms: (a) maturity date of November 16, 2020; (b) an interest rate of 8% per annum, payable semi-annually; (c) convertible at $1.95 per share, subject to adjustment in certain events, at the option of the holder; and (d) the Company had the option to convert the full principal amount of the then outstanding Nov 2017 Convertible Debt at the conversion price on not less than 30 days' notice, should the daily volume weighted average trading price of the outstanding common shares of the Company on the TSXV be greater than $2.93 for any 10 consecutive trading days.

In January 2018, the Nov 2017 Convertible Debt was converted at the option of the holder. In connection with the conversion, the Company issued 7,692,307 common shares to the holders of the Nov 2017 Convertible Debt.

In February 2018, the Company issued additional convertible debentures (the "Feb 2018 Convertible Debt"). The Feb 2018 Convertible Debt was sold at a price of $1,000 per convertible debenture for gross proceeds of $25,000,000, under the following terms: (a) a maturity date of February 2, 2021; (b) an interest rate of 8% per annum, payable semi-annually; (c) convertible at $2.30 per share, subject to adjustment in certain events, at the option of the holder; and (d) the Company may require the conversion of the full principal amount of the outstanding convertible debentures at the conversion price on not less than 30 days' notice, should the daily volume weighted average trading price of the outstanding common shares of the Company on the TSXV be greater than $3.45 for any 10 consecutive days.

CONTINGENCY

Certain of the Company's executives have been named in a claim that also identifies the Company in relation to certain services provided by an individual. It is the Company's determination that the claim of $10,000,000 is primarily against the founders of the Company and not the Company itself. The claim for damages against the Company, specifically, is not pleaded with sufficient particularity to allow an accurate assessment of the quantum of damages being sought against the Company. The likely measure of damages sought will either be the market value of the services the plaintiff provided to the Company or the degree to which the Company was enriched by those services. The Company is of the view that the amount of the claim bears no relationship to the value of the services provided. The outcome of this legal matter is subject to negotiations by the officers of the Company and the Company believes it is unlikely to be impacted and accordingly, no amount has been provided for.

Contingency resolved

On December 6, 2016, the Company, Saber Acquisition Co. (a wholly owned subsidiary of the Company) and 9045538 Canada Inc. ("KindCann") completed a plan of arrangement under the *Canada Business Corporations Act*, pursuant to which KindCann completed a reverse take-over transaction of the Company.

Prior to the reverse take-over transaction, on May 27, 2015, a preferred shareholder (the "Dissenting Shareholder") filed a dissent action after the board of directors of KindCann (the "KindCann Board") resolved to amend the share conditions of KindCann's Class A preferred shares to provide the KindCann Board with the discretion to pay the annual dividend by the issuance of common shares in the capital of KindCann. In May 2018, the Company issued an aggregate of 482,758 common shares in the capital of Emblem to the Dissenting Shareholder of KindCann. The common shares were issued in settlement of statutory rights of dissent exercised by the Dissenting Shareholder in 2015. The Dissenting Shareholder has provided a full and final release in favour of Emblem.

RELATED PARTIES

Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. In addition to short-term employee benefits, the Company may also issue options as part of its stock option plan. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

Certain officers and directors of the Company hold an equity position in Fire & Flower and one officer and director of the Company serves as an officer and director of Fire & Flower.

Balances and transactions with related parties are shown in the following tables for the periods ended:

(Expressed in thousands of Canadian dollars)		At June 30, 2018		At December 31, 2017
Balances Outstanding				
Net amounts due to key management personnel	**$**	**(61)**	$	(77)
Net amounts due from other related parties		**18**		14
	$	**(43)**	$	(63)

Key management personnel compensation comprises:

(Expressed in thousands of Canadian dollars)		Three Months Ended June 30, 2018		Three Months Ended June 30, 2017		Six Months Ended June 30, 2018		Six Months Ended June 30, 2017
Salaries and short-term employee benefits	**$**	**465**	$	317	**$**	**884**	$	643
Share-based payments		**231**		282		**478**		564
	$	**696**	$	599	**$**	**1,362**	$	1,207

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As at August 22, 2018, there were 120,480,769 common shares issued and outstanding, 5,506,665 stock options outstanding, 52,137,043 share purchase warrants outstanding and debentures convertible into 10,869,565 common shares, for a total of 188,994,042 common shares on a fully-diluted basis.

SUBSEQUENT EVENTS

- **Signed supply agreement with AGLC**
  In July 2018, the Company announced that ECC completed an agreement with the AGLC to supply the province of Alberta with high quality cannabis products upon legalization on October 17, 2018. Products will be available under Emblem's new adult-use focused brand "Symbl". The supply agreement supports the Company's multi-provincial roll-out plan and strategic investment in Fire & Flower, which is expected to have a strong presence in the Alberta Market.

- **Launch of Adult-use cannabis brand, Symbl**
  Symbl was launched as the Company's first adult-use cannabis brand. Leveraging the Company's existing brand strength in the medical market, Symbl has been carefully crafted to be an approachable brand for Canadians as they navigate the new cannabis landscape come legalization on October 17, 2018. Tailored to meet the needs of both novice and seasoned consumers, Symbl will offer a curated selection of signature cannabis products in both dried flower and oil formats.

- **Strategic Investment and Letter of Intent with Natura**

  During July 2018, Emblem announced its strategic equity investment in Natura, a 662,000 square foot licensed greenhouse cultivator of medical cannabis under the ACMPR. The companies signed a three-year cannabis supply agreement to provide Emblem up to 3,000 kilograms of high-quality cannabis flower per year at preferred wholesale pricing, from Natura's Phase 1 cultivation facility, based in Leamington, Ontario. Initial product deliveries to Emblem are expected to commence in October 2018, with a total of 750 kilograms deliverable for the balance of 2018. The supply agreement with Natura increases Emblem's total available cannabis by approximately 37.5% in 2018 and significantly accelerates Emblem's product availability to coincide with the legalization of recreational cannabis in October 2018.

  Natura's first 155,000 square feet of its state-of-the-art greenhouse facility is currently being converted as part of its Phase 1 retrofit and is expected to be completed in the third quarter of 2018 and capable of producing 15,000 kilograms of cannabis per year. The Phase 2 conversion will retrofit the remaining 507,000 square feet for cannabis cultivation and is expected to bring total production capacity to approximately to 70,000 kilograms by the end of 2019.

  Emblem invested $3 million in cash, in exchange for 3,750,000 shares of Natura and 3,750,000 common share purchase warrants of Natura, exercisable at $1.05 for 24 months (subject to acceleration provisions). Upon completion of the investment, Emblem owned approximately 5% of Natura's outstanding shares on a non-diluted basis, and 7% on a fully diluted basis.

  Shortly after the Company's strategic equity investment in Natura, the Company signed a non-binding letter of intent with Natura, in respect to the Company acquiring all of the issued and outstanding securities in Natura that it did not already own for $25 million in cash. $12.5 million in mortgage financing and 26,102,941 common shares of Emblem. Based on Emblem's 45-day volume weighted average price of $1.36, the implied transaction value is $76 million (inclusive of Natura shares already owned by Emblem from the strategic equity investment above).

  On completion of the Transaction, Emblem plans to further its aggressive approach to sales growth both domestically and internationally, backed by the robust supply from the Natura greenhouse with an annualized production capacity of 70,000 kilograms by the end of 2019. With more than 40 years of greenhouse production experience, Natura will bring a wealth of expertise and talent, with the capacity to produce high-quality, greenhouse-grown cannabis at a lower cost than an indoor facility.

  The final terms and closing of the Transaction are subject to the negotiation and execution of a definitive agreement and certain other customary conditions including the receipt of all necessary regulatory approvals. The Transaction is expected to close in the third quarter of 2018.

- **Launch of new health and beauty line with GreenSpace**

  In August 2018, Emblem entered into a strategic partnership with GreenSpace, a highly-regarded consumer packaged goods company, to develop and commercialize CBD infused health and beauty products for the expected adult-use recreational cannabis market. The partnership will leverage GreenSpace's expertise in consumer brand development and distribution to launch products infused with Emblem's CBD extracts across a number of verticals including beauty, health and wellness, supplements, food and beverage. Expansion into edibles and consumables using cannabis CBD extracts will move forward when these additional products are permitted under applicable regulations, expected in 2019.

  Under the terms of the partnership, GreenSpace commited to a five-year exclusive CBD supply agreement with Emblem. In addition, Emblem made a $2 million investment in GreenSpace comprised of $1 million in common shares of Emblem at a 20-day VWAP of $0.976 per share and $1 million in unsecured convertible debentures to fund the start-up of GreenSpace's CBD business. The debentures will mature on August 9, 2023 and will automatically convert into common shares upon the satisfaction of certain conditions (each, a milestone) at a conversion price equal to the lesser of: (i) $1.0492; and (ii) the 20-day VWAP of the common shares of Emblem on the date the applicable milestone is achieved, provided that the conversion price shall not be less than $0.94 and that the automatic conversion will be deferred if the market price of Emblem is less than $0.752 at the time the milestone is met. Emblem will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabis-based CBD product sales.

- **Trading on OTCQX Best Market**
  On August 8, 2018, the Company began trading on OTCQX Best Market under the symbol "EMMBF". Graduating to the top tier OTCQX provides easier and wider trading access for the Company's investors in the United States. Current financial disclosure and real-time level 2 quotes for the Company can be found on www.otcmarkets.com.

- **Emblem enters into supply agreement with operator of the Ontario Cannabis Store ("OCS")**
  On August 21, 2018, Emblem announced that ECC was selected as one of 26 licensed producers to supply Ontario for the adult-use recreational market, through an agreement with the operator of the OCS, to supply the province with locally-grown, premium cannabis products under Emblem's adult-use brand, Symbl. Upon legalization on October 17, 2018, Symbl will offer a range of select strains in dried flower and cater to the full spectrum of Canadians who plan to explore cannabis with products that address individual needs and support a positive healthy cannabis experience.

PROPOSED REGULATORY REGIMES BY CANADIAN PROVINCE AND TERRITORY

The Governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Most of these Canadian jurisdictions have announced a minimum age of 19 years old, except for Québec and Alberta, where the minimum age will be 18.

British Columbia
Although British Columbia has not yet tabled any cannabis bills, the Government of British Columbia announced in December 2017 that recreational cannabis will be sold in that province through both public and privately-operated stores. The British Columbia Liquor Distribution Branch will be responsible for the public retail stores and will also be the province's wholesale distributor of non-medicinal cannabis. Licensing and monitoring of private retail stores will be the responsibility of the Liquor Control and Licensing Branch. In February 2018, the Government of British Columbia released further details about proposed cannabis regulation in the province. Adults will be allowed to use cannabis in places where tobacco smoking and vaping are permitted, but will be banned from smoking and vaping in areas frequented by children including beaches, parks and playgrounds, and the use of cannabis in any form will be banned for all occupants in vehicles. British Columbia will allow personal cultivation of up to four cannabis plants per household, but the province will allow landlords to prohibit home cultivation.

Alberta
Alberta Bill 26, An Act to Control and Regulate Cannabis, and Bill 29, An Act to Reduce Cannabis and Alcohol Impaired Driving, received royal assent on December 15, 2017 and will come into force on proclamation. Sections 1-16 of Bill 29 have been proclaimed in force April 8, 2018. Bill 26 amends the Gaming and Liquor Act and will allow for the purchase of cannabis through privately run retail stores and government-operated online sales. The Alberta Gaming and Liquor Commission will be the sole wholesale distributor in the province. Consumption of cannabis will be allowed anywhere that tobacco consumption is permitted, but cannabis use will be banned in vehicles. Smoking and vaping cannabis will be prohibited on hospital, school or child care properties, and within prescribed distances of areas such as playgrounds, sports fields and outdoor pools. Albertans will be allowed to grow up to four plants per household, and there will be a possession limit of 30 grams of cannabis in a public place. The Regulations to the Gaming and Liquor Act were amended to include regulations related to cannabis on February 15, 2018 and will come into force upon the coming into force of Bill 26.

Saskatchewan
The Government of Saskatchewan has announced that both wholesaling and retailing of recreational cannabis will be conducted by private companies, and will be regulated by the Saskatchewan Liquor and Gaming Authority. The Saskatchewan Liquor and Gaming Authority will issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nations across the province. Municipalities will have the option of opting out of having a cannabis store if they choose, and so far, five municipalities have opted out. On March 14, 2018, Bill 121, Cannabis Control (Saskatchewan) Act (the "Saskatchewan Act") had its first reading. The Saskatchewan Act sets a minimum age for cannabis consumption of 19. The Saskatchewan Act also restricts possession to 30 grams in public or four cannabis plants for personal use, and restricts consumption to private places except as exempted by regulation. The Government of Saskatchewan has said that they intend to adopt the federal rules around home growing, with a limit of four plants per

household. Bill 112, The Miscellaneous Vehicle and Driving Statutes (Cannabis Legislation) Amendment Act, 2017 had its first reading on November 28, 2017 and amends the province's impaired driving laws.

Manitoba

The Government of Manitoba has adopted a "hybrid model" for cannabis sales, whereby the retail sale of cannabis will be conducted by private retailers under the regulation and supervision of the Manitoba Liquor and Gaming Authority, and the supply of cannabis in the province will be secured and tracked by the Manitoba Liquor and Lotteries Corporation. Bill 11, The Safe and Responsible Retailing of Cannabis Act (Liquor and Gaming Control Act and Manitoba Liquor and Lotteries Corporation Act Amended) had its first reading on December 5, 2017. Following an application process between November and December 2017, the Government of Manitoba selected four groups to operate retail sales of cannabis in the province. Bill 11 will prohibit individuals from growing cannabis at their place of residence. The Government of Manitoba has also passed The Cannabis Harm Prevention Act (Various Acts Amended) to address health and safety concerns connected with legalized cannabis consumption, which include the prohibition against consuming cannabis in vehicles and against smoking cannabis in enclosed public places. Bill 11 also prohibits the consumption of cannabis in any manner in a cannabis retail store. On March 20, 2018, the Government of Manitoba also announced a proposal to prohibit smoking and vaping cannabis in outdoor public places.

Ontario

On September 8, 2017, the Government of Ontario announced its initial retail and distribution model of legalized adult-use recreational cannabis. On December 12, 2017, the Government of Ontario passed the Ontario Cannabis Retail Corporation Act, 2017 ("OCRCA") and the Cannabis Act, 2017 (Ontario), which will regulate the lawful use, sale and distribution of recreational cannabis. The OCRCA is already in force, but the Cannabis Act, 2017 (Ontario) is expected to come into force at the same time as federal legalization.

The new Ontario legislation will, among other matters:

(a) create a subsidiary of the LCBO, known as the Ontario Cannabis Store, to manage the distribution of recreational cannabis and an LCBO-controlled online order and distribution service;

(b) ban the use of recreational cannabis in public places, workplaces and motor vehicles, as is the case with alcohol (restrictions relating to consumption of medical cannabis are covered under the Smoke-Free Ontario Act); and

(c) create significant penalties for non-compliance.

In July and August 2018, the new Conservative government of Ontario announced that it intends to introduce legislation that would open up a tightly regulated private retail model in the province signifying a shift from the public retail landscape set out by the predecessor Liberal government. The landscape of Ontario's retail landscape is yet to be solidified, but the Ontario government has indicated that such private retail regime shall be launched by April 1, 2019. As of October 17, 2018, the government of Ontario has indicated that all sales of adult-use recreational cannabis will be through the Ontario Cannabis Store's website.

Other details of Ontario's approach will be set out in regulations to the Cannabis Act, 2017 (Ontario). Some initial regulations have already been published and additional regulatory proposals were published for public comment on January 18, 2018.

Québec

Québec Bill 157, An Act to constitute the Société Québécoise du cannabis, to enact the Cannabis Regulation Act and to amend various highway safety-related provisions, was introduced in November 2017 and had its second reading on February 13, 2018. Bill 157 will amend the Act respecting the Société des alcohols du Québec to create a government agency to regulate cannabis sales as a parallel organization to the existing government-controlled alcohol retailer commonly known in the province as the "SAQ". Initial reports from the Government of Québec indicate that 15 government-run dispensaries will be opened initially, with up to 150 additional dispensaries to open within the following two years. Bill 157 will also enact the Cannabis Regulation Act which, among other things, will prohibit the cultivation of cannabis for personal purposes, and will limit cannabis consumption outside of private residences and other designated closed smoking rooms.

New Brunswick

The Government of New Brunswick has introduced three bills related to cannabis: The Cannabis Control Act, the Cannabis Management Corporation Act, and the Cannabis Education and Awareness Fund Act. All three bills received royal asset on March 16, 2018. The Cannabis Management Corporation Act will establish a Crown corporation to oversee and regulate the distribution and sale of cannabis in the province. Retail sales of recreational cannabis will be conducted through a subsidiary of the New Brunswick Liquor Corporation. The Cannabis Control Act will limit the consumption of cannabis to private dwellings, vacant land, or other places prescribed by regulation.

Nova Scotia

Following public consultation, on December 6, 2017, the Government of Nova Scotia announced its legislative framework for recreational cannabis in the province. Cannabis will be sold at dedicated government-owned retail locations through the Nova Scotia Liquor Corporation. The government has identified nine initial locations for retail stores. The province also plans to create an online retail sales platform that will include direct-to-home delivery. Under the legislative framework, cannabis consumption will be restricted to private residences and outdoor public spaces, with certain restrictions, and consumption will be prohibited in vehicles and other areas where tobacco smoking is already prohibited. The province will follow the federal legislation and allow possession of 30 grams of dried cannabis, and each household will be permitted to cultivate four cannabis plants.

Newfoundland and Labrador

In November 2017, the Government of Newfoundland and Labrador announced that recreational cannabis will be sold through private stores, with the Crown-owned liquor corporation overseeing the distribution to private sellers who will sell it to consumers. Bill 23, An Act to Amend the Liquor Corporation Act, had its second reading on November 23, 2017 and will give the Newfoundland and Labrador Liquor Corporation the authority to license and regulate private retailers. The Government of Newfoundland and Labrador has stated that the Newfoundland and Labrador Liquor Corporation will control the possession, sale and delivery of cannabis, and set prices. It will also be the initial online retailer and will sell cannabis products in isolated communities. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers. The Government of Newfoundland and Labrador has said that consumption of cannabis will be restricted to private residences, and it has not made any indication that it will deviate from the federal rules allowing for the growth of four cannabis plants per household.

Prince Edward Island

Following public consultation, on March 27, 2018 the Government of Prince Edward Island released a policy and legislative framework for cannabis in the province. Cannabis will be sold at dedicated government-owned retail locations through the PEI Cannabis Management Corporation. The government has identified four initial locations for retail stores based on population density, and based on the sales in those locations the government will plan future expansion. The province also plans to create an online retail sales platform that will include direct-to-home delivery. Under the legislative framework, cannabis consumption will be restricted to private residences, with certain communal spaces being designated for cannabis consumption, and consumption will be prohibited in vehicles and other areas where tobacco smoking is already prohibited. The province will follow the federal legislation and allow possession of 30 grams of dried cannabis, and each household will be permitted to cultivate four cannabis plants.

Yukon

The Government of Yukon tabled Bill 15, the Cannabis Control and Regulation Act, on March 8, 2018. The act would allow the government to designate the Yukon Liquor Corporation to distribute and regulate the sale of cannabis in the territory. Retail sales of recreational cannabis will be conducted by a combination of private stores and stores owned by the Yukon Liquor Corporation. Bill 15 would prohibit the consumption of cannabis outside of a private dwelling-house.

The Northwest Territories

The Government of the Northwest Territories has tabled Bill 6, the Cannabis Legalization and Regulation Implementation Act. It is proposed that the Northwest Territories Liquor Commission will be responsible for the distribution and sale of cannabis and that cannabis will initially be sold in existing liquor stores. Smoking cannabis will be prohibited in public places, subject to exceptions in the regulations. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

Nunavut
Although it has not yet tabled any cannabis bills, the Government of Nunavut has proposed that the sale of cannabis products will be overseen by the Nunavut Liquor Commission, but that the Commission will be allowed to outsource certain operations (including retail sales) to private third party "agents". The government is proposing to allow sales in physical stores and online. The government has also proposed that cannabis consumption should only be allowed in private homes and in some designated public spaces where tobacco smoking is allowed.

CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, met with management to review the Condensed Interim Consolidated Financial Statements to satisfy itself that management has properly discharged its responsibilities to the directors who approve the financial statements.

The Company's management is responsible for designing a system of disclosure controls and procedures, or causing such controls to be designed under management's supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and ensuring that material information relating to the Company is made known to management with respect to financial and operational conditions to allow timely decisions regarding required disclosure.

The Company's management is also responsible for designing a system of internal controls over financial reporting, or causing such controls to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Such controls are facilitated by the size of the Company's senior management team and their access to material information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect the Company's management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or negative and/or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Forward-looking statements are not a guarantee of future performance and by their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Various material factors and assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking statements. Those material factors and assumptions are based on information currently available to the Company, including data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Emblem believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While Emblem is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties and is subject to change based on various factors. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to, the following: use of proceeds from financing activities, statements regarding anticipated budgets, fees and expenditures; the intended expansion of the Company's facilities, receipt of approval from Health Canada to complete such expansion and increase production and sale capacity, its expectations regarding growing capacity, production capacity and production yields, expectation of market prices and costs, and the expected demand for products and corresponding forecasted increase in revenue; the performance of the Company's business and operations, and the intention to grow the business, operations and potential activities of the Company; the methods used by the Company to deliver medical marijuana; the competitive conditions of the industry, and the competitive and business strategies of the Company; the applicable laws, regulations and any amendments thereof; the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof; the anticipated future gross margins of the Company's operations; the anticipated changes to Canadian federal laws regarding recreational use and the business impacts on the Company; and the possible impacts of litigation and regulatory actions.

The above matters and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are forward-looking statement and are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting management of the Company's reasonable judgment based upon current information and involve a number of risks and uncertainties, certain of which are set out herein, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the requisite financing, the general impact of financial market conditions, the yield from cannabis growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks, as discussed in the Company's MD&A for the year ended December 31, 2017, under the heading "Risk Factors". These factors are not and should not be construed as being exhaustive.

August 22, 2018