

Q&A with Chris Wagner, CEO of Emerald Health Therapeutics, Inc. a Health Canada Licensed Producer of Medical Cannabis allowing them to Cultivate, Grow and Sell Medical Marijuana and Oils to Patients Across the Country



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CEOCFO: *Mr. Wagner, this is not your first go round with developing companies and getting ideas off the ground. What attracted you to Emerald Health Therapeutics and what is the concept behind the company?*

Mr. Wagner: What first attracted me to Emerald Health Therapeutics was that a brand new industry was opening up: the cannabis industry. From my perspective, I saw this as an industry that could use the help and background of someone like myself, who has experience in pharmaceutical drug development on a global scale. I found the opportunity attractive because the drug development aspect was completely missing from the cannabis industry. I will just give you an example of what I am talking about. In the pharmaceutical and medicine business, it is very important that every single time you take a product, it has the same quality, dosage, effect and so on, so that if you take it today and tomorrow and the next day, you are taking the same thing. Also, when you decide to purchase the same bottle or product again, you have confidence that it is working for you and that it will continue to work. And alternatively, if it is not working, you can change it. Therefore, you can change the brand, formulation, or dose and so on to get the desired effect. However, in the cannabis business that is completely absent, up until now. We need to ensure and implement simple concepts like product consistency, accuracy, and the measured outcome; implementing these concepts are second nature to me. It made sense to me that the cannabis industry can benefit from exactly the same thing that we have been doing for over one hundred years in the biotech and life sciences arena. That is what attracted me and it is just tremendous fun, too!

CEOCFO: *What are you working on at Emerald Health? What is the company providing? What will you be providing?*

Mr. Wagner: Emerald Health Therapeutics is a Health Canada Licensed Producer of medical cannabis. We were one of the first licensed producers in Canada and are a vertically integrated, seed-to-sale enterprise, with decades of experience in pharmaceutical innovation with large-scale agricultural expertise. We actually just received another license on March 2, so that brings us up to three licenses, which is great! These licenses allow us to cultivate, grow and sell medical marijuana to patients across the country in a federally legal and compliant manner. We are preparing for a change in the federal regulation of adult-use (or recreational) cannabis, which we expect to happen sometime this summer. Canada could become the first G20 country to have a legal, adult-use market. Therefore, if you are older than nineteen years old you will

be able to go into a cannabis store and buy cannabis without any sort of prescription. With adult-use legalization on the horizon, we are busy at the company growing a tremendous amount of product. I can take you through what that looks like, but we will have over a million square feet of greenhouse space to produce cannabis. We expect to grow a large amount of cannabis and develop a variety of different products from cannabis. These products are not just cannabis that you smoke, which is traditionally how the product has been consumed and perceived in society. We are also developing oils that are easily ingested and allow for more accurate dosing without the need for inhalation. Our product development is focused on how we can extract the most beneficial aspects of cannabis, and developing cannabis products that you can consume in oil and pill forms. We are spending a lot of time researching and developing new formulations, patenting those new formulations, and preparing them for sale in the market.

CEOCFO: *What are some of the challenges in growing cannabis? What might you look at from more of a medical or a quality control perspective that many other growers do not realize?*

Mr. Wagner: There are challenges in growing cannabis. This plant is a weed. Therefore, you can actually grow it quite simply in many different parts of the world, even outdoors. However, to get a consistent, high-quality product at a very low cost takes experience and skill. Therefore, we have applied thirty years of experience in indoor greenhouse cultivation of vegetables, such as tomatoes, cucumbers, bell peppers and even roses! We have switched that system, knowledge, and skillset of large-scale production over to grow cannabis. We are taking thirty years of experience brought to us by our partner, Village Farms (TSX: VFF; OTCQX: VFFIF), and we are combining that growing expertise with our cannabis and medical experience. The combination of large-scale production and medical cannabis experience allows us to grow extremely low-cost cannabis. Right now, we are converting a 1.1 million square foot greenhouse from tomato to cannabis production in Canada. US and Canada-based greenhouses have been competing with Mexico to grow tomatoes and other produce. Our workers make somewhere around fifteen dollars an hour for growing vegetables, where workers in Mexico make seven to fifteen dollars a day. Therefore, we have to be extremely efficient in the way that we run our operations and we are applying that to cannabis as well.

“There is an opportunity for people to potentially derive life-changing benefits from cannabis in a more prescriptive and safe manner – future legalization of cannabis in Canada allows us to make giant steps toward achieving this. However, our ultimate goal is to be a prominent player in the cannabis industry on a global scale. Our objective is to really create a new Tylenol, if you will, and we have the scientific knowledge, bandwidth and experience to be successful in Canada and use that as our engine to stretch around the world internationally. I do not think many other licensed producers have that background or capability to pull that off. I think that the Canadian market opportunity is a great starting point, but our vision is set on what the worldwide market for cannabis derivative products is going to look like. That is really what we are focused on.” - Chris Wagner

Once you have a low-cost product, you can start pulling this plant apart into its different components. That is where the magic happens. The first part is the extremely cost-conscious cultivation of the plant. The second part is how to characterize and extract the beneficial aspects of the plant. There is not just one chemical in cannabis. In fact, researchers know that there are over one hundred compounds called cannabinoids. There are also other compounds called terpenes. While more work is needed to understand these different compounds' properties and effects, we know of only one of them to be psychoactive! There are still lingering misconceptions associated with cannabis: people typically think of smoking cannabis and its psychoactive properties. In reality, there is only one chemical that has these effects, but the other ninety nine plus do not. Those other ninety nine plus cannabinoids have potential medical and therapeutic benefits, such as aiding sleep, reducing anxiety, or reducing neuromuscular deficit in the body. Carefully extracting those chemicals and combining them in a format that is beneficial to people is a scientifically-driven process and where the difficulty lies. Most of our team comes from the life sciences community and, as I mentioned before, that is what we have been doing for decades. We believe cannabinoid medicines present an unparalleled opportunity and we plan to develop consistent dosing and alternative methods of consumption for consumers and patients.

CEOCFO: *When cannabis becomes legal for adults, what is the regulatory atmosphere around what you can say about a particular product? Where does that fit into what you decide to develop, either how hard or how easy it is to say, “This is going to help you sleep better?”*

Mr. Wagner: There is a lot packed into that question, so I will just sort of start from the highest level to answer it! In Canada, the environment that we operate in is a federally legal landscape. As an example, this is in contrast to the US, where it is federally illegal, but legal in some states. Therefore, when you operate in a federally legal environment, you are

allowed to conduct more activities, such as large-scale research. We can conduct research with thousands of people, across provincial lines, without any sort of concern about whether what we are doing is legal or not. That is one distinct advantage of the cannabis landscape in Canada versus the US. This regulatory system allows Canadian companies like Emerald to get a competitive lead compared to many other companies in the world. Therefore, investment money flows in because it is a safe and legal place to invest, and these Canadian companies are able to spread their wings around the world! It allows us to then take that research and not just sell it in Canada, but export to other federally legal markets in the world. I am actually from Canada, but I have spent most of my career in the US. One of my colleagues reminded me one time, as a little bit of an elbow in the ribs, but he said, "Hey Chris, you know that Canada is a rounding error on our global business." It is true. Canada only has 36 million people, so it's tiny population-wise. At Emerald, we think about our research and product innovation beyond the borders of the country. We think about global human conditions that we might be able to help solve with cannabis and create intellectual property in the process, so that we can export that IP rather than ship bulk cannabis all over the planet. As you narrow it down, then you start to think about major global issues that people face and what cannabis might be effective at treating. We think some of the biggest medical issues include pain, anxiety, sleep and lack of energy. You might be thinking, "I have a little bit of some of those." Therefore, our target consumer is not someone that you would typically associate with smoking marijuana. Our target market is probably forty five years older and up, because those are the majority of people affected by those conditions that I just mentioned. There are younger people who are affected by these conditions as well, however, it is predominantly forty five years and older and that's where our focus lies. This target demographic group also tends to have a little bit more economic capability to afford high-quality, medicinal products. Once we identify the types of conditions we want to research, we then start to think about the preclinical and clinical process and timeline. We would conduct a variety of studies ranging from animal studies, pharmacokinetic and genomic studies. We would then plan to conduct safety and efficacy studies in human clinical trials, which our team has extensive experience in from our pharma and biotech backgrounds.

CEOCFO: *How do you get the sellers and the buyers to understand the quality concerns and to understand that you are different from many other companies in the industry?*

Mr. Wagner: We are taking an existing black market and flipping it into a safer, more efficient, regulated market. It is very easy for us to differentiate against groups in the existing unregulated market that do not have safety or quality controls in place. These groups do not have sophistication, economic power or the support of the government to grow quality cannabis, whereas licensed producers like Emerald Health Therapeutics do. The second layer of differentiation would be against other licensed producers. I think our biggest differentiation is the strong scientific focus at Emerald. Our core competency is in clinical research and the development of intellectual property for downstream cannabis products. If you look at our executive team, we are life sciences people. We have a highly qualified senior team with 60+ years of experience in drug discovery, production, and commercialization. We are also experienced farmers and cultivators. Therefore, in many ways we are not a start-up at all. We are a company that has been doing this for most of our professional careers. We are applying our experience with a slightly different starting point, which is cannabis. However, the methods are the same.

Our set of tools and knowledge base allow us to develop products that are extremely valuable. For example, while I was working at Eli Lilly out of Indianapolis, I was responsible for developing and marketing a drug that sold four billion dollars per year in multiple countries around the world. Therefore, there are very few, in fact maybe none, of the other licensed producers that have that kind of pedigree in pulling off the development, launch and branding of new medical products around the planet. That is the approach that we take. There is a great expression that I really enjoy. "If you only have a hammer, you think everything is a nail." If Emerald Health Therapeutics has a hammer, the hammer we have is a life sciences hammer. Therefore, we are really hitting hard on the medical aspect and you will start to see the products that we develop along that line. We are also going to be developing specific products for the adult-use market. If you wish to take cannabis to relax and have some fun with your friends, most people do not want a random experience. They want a consistent experience. For example, if you have one or two or more glasses of wine you know what is going to happen. However, right now with cannabis you do not know what the effect will be. With our scientific approach, our goal is to be able to give people the confidence to consume these products knowing that the outcome is going to be consistent every time. Whether the outcome they are looking for is having fun at a dinner party with friends or whether that outcome is to treat severe anxiety, it is the same process that we apply and the same consistent, high-quality product that we provide to give people their desired and expected outcome.

CEOCFO: *How has the investment community been reacting to Emerald Health Therapeutics?*

Mr. Wagner: Extremely positively! In 2017 we were the fastest growing company on the TSX Venture Exchange, which is the stock exchange that we are traded on as a publicly traded company. I think there are really two reasons for that. First,

we do what we say we are going to do. That is actually the advice that I give to my kids. I say, “Forgetting everything else, if you can do one thing, do what you say you are going to do, because if you do that you are going to be ahead of eighty percent of the people in the world.” As a company we follow that same advice. The second factor is that we are strategic when we raise funds and how much we raise. To date, we have consistently raised money at higher valuations to be less dilutive for our shareholders. I think that our shareholders are rewarding us for that with the price appreciation that we have seen and our ability to raise more capital.

CEOCFO: *Why should people pay attention to Emerald Health Therapeutics today?*

Mr. Wagner: This is the beginning of a brand new industry. I cannot think of another time when this has happened at this scale ever before. It is one of the biggest capital market events that we have seen in the past and that we are going to see in the future. Therefore, from a sector point of view it is very exciting. Why Emerald within that sector? Deloitte, a large accounting and consultancy firm, feels that the Canadian market for cannabis and related products is worth about twenty two billion dollars. We are eager to participate in the Canadian market opportunity and this serves as our starting point. There is an opportunity for people to potentially derive life-changing benefits from cannabis in a more prescriptive and safe manner – future legalization of cannabis in Canada allows us to make giant steps toward achieving this. However, our ultimate goal is to be a prominent player in the cannabis industry on a global scale. Our objective is to really create a new Tylenol, if you will, and we have the scientific knowledge, bandwidth and experience to be successful in Canada and use that as our engine to stretch around the world internationally. I do not think many other licensed producers have that background or capability to pull that off. I think that the Canadian market opportunity is a great starting point, but our vision is set on what the worldwide market for cannabis derivative products is going to look like. That is really what we are focused on.

