



EMERALD HEALTH THERAPEUTICS, INC.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited)

(Expressed in Canadian Dollars)

EMERALD HEALTH THERAPEUTICS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

	March 31	December 31
	2018	2017
ASSETS		
Current		
Cash and cash equivalents	\$ 89,503,515	\$ 44,523,145
Accounts receivable (Note 4)	392,883	278,232
Biological assets (Note 5)	398,010	114,559
Inventory (Note 6)	503,961	727,635
Prepaid expenses	371,460	167,911
Due from related parties (Note 14)	771,615	324,674
Total current assets	91,941,444	46,136,156
Plant and equipment (Note 8)	1,031,528	1,031,335
Plant under construction (Note 9)	4,979,646	2,772,051
Deposits on materials and equipment (Note 10)	2,124,240	-
Refundable deposits	196,391	196,391
Intangible assets (Note 11)	2,676,167	2,851,855
Goodwill	169,323	169,323
Long-term investment (Note 12)	401,306	666,667
Investment in joint venture (Note 13)	19,605,268	19,907,061
Total non-current assets	31,183,869	27,594,683
TOTAL ASSETS	\$ 123,125,313	\$ 73,730,839
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,183,218	\$ 1,378,645
Payable to joint venture (Note 13)	2,000,000	4,000,000
Due to related parties (Note 14)	81,375	247,505
Total current liabilities	3,264,593	5,626,150
Deferred income tax liability	132,820	317,497
TOTAL LIABILITIES	\$ 3,397,413	\$ 5,943,647
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	131,502,981	77,912,246
Warrants	2,100,000	461,772
Contributed surplus	7,042,874	5,285,709
Accumulated deficit	(22,737,687)	(17,829,369)
TOTAL SHAREHOLDERS' EQUITY	117,908,168	65,830,358
Non-controlling interest	1,819,732	1,956,834
TOTAL LIABILITIES AND EQUITY	\$ 123,125,313	\$ 73,730,839

Nature and continuance of operations (Note 1)
Commitments (Note 17)
Events after the reporting period (Note 21)

On behalf of the Board of Directors:

/s/ Punit Dhillon
Director

/s/ Chris Wagner
Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements

EMERALD HEALTH THERAPEUTICS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended March 31 2018	Three months ended March 31 2017
Revenue		
Sales (Note 20)	\$ 373,218	\$ 201,268
Cost of sales		
Cost of goods sold	305,527	165,752
Production costs	175,646	165,361
Gain on changes in fair value of biological assets	(392,991)	(90,345)
Gross margin	285,036	(39,500)
Expenses		
General and administrative	2,612,006	788,956
Sales and marketing	285,897	92,169
Research and development	97,544	43,162
Depreciation (Note 8 and 11)	248,549	40,885
Share-based payments (Note 15)	1,954,047	201,186
	5,198,043	1,166,358
Loss from operations	4,913,007	1,205,858
Share of loss from joint venture (Note 13)	301,793	-
Interest revenue	(250,064)	-
Fair value changes in financial assets (Note 12)	265,361	-
Deferred income tax recovery	(184,677)	-
NET LOSS AND COMPREHENSIVE LOSS	5,045,420	1,205,858
Net loss and comprehensive loss attributable to:		
Emerald Health Therapeutics, Inc.	4,908,318	1,205,858
Non-controlling interest	137,102	-
	5,045,420	1,205,858
Net loss per common share		
Basic and diluted	\$ 0.04	\$ 0.02
Weighted average number of common shares outstanding		
Basic and diluted	115,185,558	73,500,420

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EMERALD HEALTH THERAPEUTICS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian dollars)

	Share Capital		Warrants		Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	# of Shares	Amount	# of Warrants	Amount					
Balance, December 31, 2017	106,787,226	\$ 77,912,246	9,707,677	\$ 461,772	\$ 5,285,709	\$ (17,829,369)	\$ 65,830,358	\$ 1,956,834	\$ 67,787,192
Shares issued on stock option exercises (Note 15)	458,523	601,702	-	-	(213,975)	-	387,727	-	387,727
Units issued on prospectus offerings (Note 15)	6,000,000	28,300,000	6,000,000	4,700,000	-	-	33,000,000	-	33,000,000
Share issuance costs	-	(212,269)	-	-	-	-	(212,269)	-	(212,269)
Shares issued on warrant exercises (Note 15)	8,239,863	24,901,302	(8,239,863)	(3,044,679)	-	-	21,856,623	-	21,856,623
Warrants expired	-	-	(56,050)	(17,093)	17,093	-	-	-	-
Share-based payments (Note 15)	-	-	-	-	1,954,047	-	1,954,047	-	1,954,047
Net loss and comprehensive loss	-	-	-	-	-	(4,908,318)	(4,908,318)	(137,102)	(5,045,420)
Balance, March 31, 2018	121,485,612	\$ 131,502,981	7,411,764	\$ 2,100,000	\$ 7,042,874	\$ (22,737,687)	\$ 117,908,168	\$ 1,819,732	\$ 119,727,900
Balance, December 31, 2016	67,794,698	\$ 9,756,732	8,489,451	\$ -	\$ 3,043,099	\$ (9,097,537)	\$ 3,702,294	\$ -	\$ 3,702,294
Shares issued on stock option exercise	150,000	82,159	-	-	(31,909)	-	50,250	-	50,250
Units issued on prospectus offering	10,235,000	13,407,850	5,117,500	409,400	-	-	13,817,250	-	13,817,250
Share issuance costs	-	(1,300,750)	-	-	-	-	(1,300,750)	-	(1,300,750)
Compensation options	-	(121,941)	-	-	121,941	-	-	-	-
Share-based payments	-	-	-	-	201,186	-	201,186	-	201,186
Net loss and comprehensive loss	-	-	-	-	-	(1,205,858)	(1,205,858)	-	(1,205,858)
Balance, March 31, 2017	78,179,698	\$ 21,824,050	13,606,951	\$ 409,400	\$ 3,334,317	\$ (10,303,395)	\$ 15,264,372	\$ -	\$ 15,264,372

The accompanying notes form an integral part of these condensed interim consolidated financial statements

EMERALD HEALTH THERAPEUTICS, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended March 31 2018	Three months ended March 31 2017
Operating activities		
Net loss	\$ (5,045,420)	\$ (1,205,858)
Items not involving cash		
Depreciation	248,549	40,885
Gain on changes in fair value of biological assets	(392,991)	(43,894)
Fair value changes in financial assets	265,361	-
Share-based payments	1,954,047	201,186
Share of loss from joint venture	301,793	-
Deferred income tax recovery	(184,677)	-
Changes in non-cash operating working capital		
Accounts receivable	(114,651)	(52,625)
Due from related parties	(446,941)	-
Prepaid expenses	(203,549)	(5,390)
Inventory and biological assets	310,835	(264,652)
Accounts payable and accrued liabilities	61,259	227,642
Due to related parties	(112,037)	178,493
Net cash flows used in operating activities	(3,358,422)	(924,213)
Investing activities		
Investment in joint venture (Note 13)	(2,000,000)	-
Deposits on equipment	(2,124,240)	(17,821)
Purchase of plant and equipment	(2,613,401)	(88,447)
Purchase of intangible assets	(5,183)	-
Net cash flows used in investing activities	(6,742,824)	(106,268)
Financing activities		
Proceeds from prospectus offering	33,000,000	13,817,250
Stock option exercises	387,727	50,250
Share issuance costs	(162,734)	(1,300,750)
Warrant exercises	21,856,623	-
Net cash flows generated from financing activities	55,081,616	12,566,750
Increase in cash and cash equivalents	44,980,370	11,536,269
Cash and cash equivalents, beginning of period	44,523,145	3,217,205
Cash and cash equivalents, end of period	\$ 89,503,515	\$ 14,753,474

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EMERALD HEALTH THERAPEUTICS, INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2018 and 2017
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1. NATURE AND CONTINUANCE OF OPERATIONS

Emerald Health Therapeutics Inc. (the "Company"), is classified as a Tier 1 Venture Issuer on the TSXV, with its common shares listed under the trading symbol "EMH". The Company is also traded on the OTCQX, with its common shares listed under the trading symbol "EMHTF". The Company was incorporated pursuant to the *Business Corporations Act (British Columbia)*, and its registered office is at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, BC, V6E 3X1.

The Company owns 100% of the shares of Emerald Health Therapeutics Canada Inc. ("EHTC"), a company incorporated pursuant to the *Business Corporations Act (British Columbia)*. The principal business of EHTC is the production and sale of medical cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations.

Through EHTC's 50% equity interest in Pure Sunfarms Corp. ("PSF"), the Company cultivates and intends to distribute wholesale cannabis and cannabis extracts for therapeutic and non-therapeutic use purposes, when permitted by applicable law. Through EHTC's 53% owned subsidiary, Northern Vine Canada Inc. ("Northern Vine"), a Licensed Dealer under the provisions of the *Canadian Controlled Drugs and Substances Act*, the Company operates a laboratory facility located in Langley, British Columbia.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017. Accordingly, accounting policies, estimates, and judgements applied are the same as those applied in the Company's financial statements for the year ended December 31, 2017, unless otherwise indicated. The Company assesses its accounting estimates and judgements every reporting period.

The Company's interim results are not necessarily indicative of its results for a full year.

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations and comply with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

These condensed interim consolidated financial statements were authorized for filing by the Board of Directors on May 28, 2018.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a going concern basis, at historical cost except for certain financial instruments and biological assets, which are measured at fair value.

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c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries of the Company at March 31, 2018 and December 31, 2017 include the following:

Name of subsidiary	Ownership Interest
Emerald Health Therapeutics Canada Inc. ("EHTC")	100%
Pure Sunfarms Canada Inc. ("PSC")	100%
Northern Vine Canada Inc. ("Northern Vine")	53%

d) Functional and presentation currency

The Company and its subsidiaries' functional currency is Canadian dollars. All dollar amounts presented are in Canadian dollars unless otherwise specified.

3. ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared using the same accounting policies as those used in the Company's annual financial statements at December 31, 2017 with the exceptions noted below.

Biological Assets

The Company measures biological assets consisting of cannabis on plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value, except for a portion which are restricted with respect to distribution due to the conditions under which they were acquired that are measured at cost.

Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

Production Costs

Production costs includes costs incurred in the period that relate to the production and growth of cannabis plants. Costs include labour directly related to growing activities, growing medium and supplies, nutrients, rent, and electricity.

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Inventory

Inventories of dried cannabis consist of harvested cannabis and purchased cannabis and are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the deemed cost. Any subsequent post-harvest costs incurred to dry and package the product are capitalized to inventory to the extent that cost is less than net realizable value.

Inventories of cannabis oils are derived from dried cannabis and may include the deemed cost of inventory that arose from the fair value measurement of biological assets. Additional costs to produce, test and package cannabis oils are capitalized to inventory to the extent that cost is less than net realizable value.

Goods for resale are measured at the lower of cost and net realizable value. Supplies and consumables are valued at cost.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis.

Warrants

Warrants issued as part of unit offerings subsequent to December 31, 2017, have been measured by the relative fair value approach. Under the relative fair value approach, the total proceeds of a unit offering are allocated to the components of the unit in proportion to their relative fair values, as determined by using the Black-Scholes Option-Pricing Model.

Financial Instruments

Effective January 1, 2018 the Company adopted IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

The adoption of this standard did not have a material impact on the measurement of the Company's financial instruments in these condensed interim consolidated financial statements, however additional disclosures have been provided.

The following are new accounting policies for financial instruments:

Financial assets

The Company classifies its financial assets as either subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Upon initial recognition, management determines the classification of its financial assets based upon the purpose for which the financial assets were acquired. Measurement and classification of financial assets is determined based on the entity's business model for managing the financial assets and

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the contractual cash flow characteristics of the financial asset. Management may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss to prevent a measurement or recognition inconsistency.

Financial assets are derecognized when they mature or are sold and substantially all the risks and rewards of ownership have been transferred.

Financial liabilities

The Company initially recognizes financial liabilities at fair value and are subsequently measured at amortized cost.

Revenue from Contracts with Customers

Effective January 1, 2018 the Company adopted IFRS 15 *Revenue from Contracts with Customers*. The Company recognizes revenue from contracts with customers based on a five-step model, which is applied to all contracts with customers.

There were no changes required to the statements of financial position or statements of loss and comprehensive loss as a result of adopting this standard, other than enhanced disclosures.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable is comprised of:

	March 31 2018	December 31 2017
	\$	\$
Goods and Services Tax refund receivable	230,864	186,410
Interest receivable	97,562	24,438
Other	64,457	67,384
	392,883	278,232

Accounts receivable are neither impaired nor past due.

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5. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis seeds and cannabis plants. Changes in the Company's biological assets are as follows:

	March 31	December 31
	2018	2017
	\$	\$
Carrying amount, beginning of year	114,559	162,986
Costs incurred until harvest	-	218,874
Effect of unrealized changes in fair value of biological asset:	392,991	(1,977)
Biological assets sold	(109,540)	-
Transferred to inventory upon harvest	-	(265,324)
Carrying amount, end of year	398,010	114,559

As at March 31, 2018, included in the carrying amount of biological assets is \$25,113 (December 31, 2017 - \$25,113) in seeds and \$372,897 (December 31, 2017 - \$89,446) in live plants.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- plant waste based on various stages of growth;
- yield per plant;
- selling price, less costs to sell;
- percentage of costs incurred to date compared to the total costs to be incurred (to estimate the fair value of an in-process plant); and
- costs incurred for each stage of plant growth.

Biological assets are classified as Level 3 on the fair value hierarchy. Significant unobservable inputs used to fair value biological assets include the Company's estimate of the yield of medical cannabis per plant. A 5% increase or decrease in the estimated yield of medical cannabis per plant would result in an increase or decrease in the fair value of biological assets of \$18,645 at March 31, 2018 (December 31, 2017 - \$4,472).

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6. INVENTORY

The Company's inventory is comprised of:

	March 31	December 31
	2018	2017
	\$	\$
Dried cannabis	362,251	524,651
Cannabis oils	121,195	190,116
Goods for resale	6,623	3,727
Supplies and consumables	13,892	9,141
	503,961	727,635

Inventory expensed and included in cost of sales during the three months ended March 31, 2018 was \$305,527 (March 31, 2017 - \$165,752).

7. COST OF SALES

Cost of sales represents the deemed cost of inventory that arose from the fair value measurement of biological assets, subsequent post-harvest costs capitalized to inventory, purchased dried cannabis, costs to produce cannabis oils capitalized to inventory (including the deemed cost of dried inventory that arose from the fair value measurement of biological assets that were used to produce cannabis oils), and packaging costs.

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8. PLANT AND EQUIPMENT

	Leasehold improvements	Growing, lab and extract equipment	Other equipment	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2016	184,929	455,779	52,253	692,961
Additions	59,242	299,675	42,931	401,848
Acquired through Northern Vine	30,300	237,271	-	267,571
Disposals	-	-	(911)	(911)
Balance, December 31, 2017	274,471	992,725	94,273	1,361,469
Additions	-	29,187	39,728	68,915
Disposals	-	-	(1,343)	(1,343)
Balance, March 31, 2018	274,471	1,021,912	132,658	1,429,041
Accumulated depreciation				
Balance, December 31, 2016	46,004	96,951	20,818	163,773
Additions	33,605	113,702	19,484	166,791
Disposals	-	-	(430)	(430)
Balance, December 31, 2017	79,609	210,653	39,872	330,134
Additions	11,444	48,800	7,434	67,678
Disposals	-	-	(299)	(299)
Balance, March 31, 2018	91,053	259,453	47,007	397,513
Net book value				
At December 31, 2017	194,862	782,072	54,401	1,031,335
At March 31, 2018	183,418	762,459	85,651	1,031,528

9. PLANT UNDER CONSTRUCTION

During 2017, site preparation began on the Company's new self-constructed plant located in Metro Vancouver, British Columbia. As at March 31, 2018 \$4,979,646 (December 31, 2017 - \$2,772,051) of expenditures were capitalized. Construction on the new asset is expected to continue throughout 2018, at the time the asset is ready for its intended use depreciation will commence.

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10. DEPOSITS ON MATERIALS AND EQUIPMENT

Deposits on equipment as at March 31, 2018 consist of \$2,000,000 funds held in trust for materials for the Company's self-constructed plant located in Metro Vancouver and \$124,240 for lab equipment to be delivered subsequent to March 31, 2018 (December 31, 2017 - \$Nil).

11. INTANGIBLE ASSETS

The Company's intangible assets continuity is as follows:

	Health Canada License	Computer Software	Total
Cost	\$	\$	\$
Balance, December 31, 2016	-	62,135	62,135
Acquired through Northern Vine	2,922,096	-	2,922,096
Balance, December 31, 2017	2,922,096	62,135	2,984,231
Additions	-	5,183	5,183
Balance, March 31, 2018	2,922,096	67,318	2,989,414
Accumulated depreciation			
Balance, December 31, 2016	-	16,717	16,717
Additions	87,446	28,213	115,659
Balance, December 31, 2017	87,446	44,930	132,376
Additions	173,590	7,281	180,871
Balance, March 31, 2018	261,036	52,211	313,247
Net book value			
At December 31, 2017	2,834,650	17,205	2,851,855
At March 31, 2018	2,661,060	15,107	2,676,167

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12. LONG-TERM INVESTMENTS

	Fair value December 31 2017	Change in fair value	Fair value March 31 2018
	\$	\$	\$
Level 1 on fair value hierarchy			
VANC Pharmaceuticals Inc. - shares	500,000	(208,334)	291,666
Level 2 on fair value hierarchy			
VANC Pharmaceuticals Inc. - warrants	166,667	(57,027)	109,640
	666,667	(265,361)	401,306

On November 27, 2017 the Company purchased 1,666,667 units of VANC Pharmaceuticals Inc., ("VANC"), a related party, pursuant to a subscription agreement dated November 7, 2017. Each unit entitled the holder to 1,666,667 common shares and 1,666,667 common share purchase warrants. The common shares of VANC are traded on the TSX Alpha Exchange under the symbol "VANC."

Each warrant entitles the holder to purchase one common share at the price of \$0.20 per share. The warrants expire November 27, 2022, or earlier if the accelerated exercise provision is enacted. If the closing sales price trades at \$0.25 or higher for 10 consecutive trading days, and VANC, within 5 days of such event, provides notice by way of news release to the holders of the warrants of the early expiry of the warrants, then the warrants shall expire 30 days from the date of notice.

13. INVESTMENT IN JOINT VENTURE

The Company uses the equity method to record its 50% equity interest in Pure Sunfarms Corp. ("Pure Sunfarms").

The Company has contributed \$18 million in cash to the joint venture as at March 31, 2018. The final \$2 million in cash was forwarded to the joint venture subsequent to March 31, 2018; this amount is currently included as "payable to joint venture" on the statement of financial position.

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Summarized financial information for Pure Sunfarms is set out below:

	March 31	December 31
	2018	2017
	\$	\$
Non-current assets	32,811,587	23,144,466
Current assets (a)	11,551,510	17,381,496
Total assets	44,363,097	40,525,962
Non-current liabilities	-	-
Current liabilities	5,611,838	1,171,118
Total liabilities	5,611,838	1,171,118
(a) includes cash and cash equivalents	8,422,256	2,906,910
Loss and comprehensive loss (b)	603,585	645,156
(b) includes income tax recovery	-	238,620

The details of the Company's investment in Pure Sunfarms are as follows:

Balance at January 1, 2016	-
Investment in Joint Venture	20,000,000
Transaction costs	229,639
Share of loss	(322,578)
Balance at December 31, 2017	19,907,061
Share of loss	(301,793)
Balance at March 31, 2018	19,605,268

A reconciliation of the summarized financial information to the carrying amount of the investment in Pure Sunfarms is set out below:

	March 31	December 31
	2018	2017
	\$	\$
Total net assets of Pure Sunfarms	38,751,258	39,354,844
50% ownership interest held by the Company	19,375,629	19,677,422
Transaction costs	229,639	229,639
Carrying amount of the investment	19,605,268	19,907,061

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To date, Pure Sunfarms has not issued dividends. As a privately held company, there are no quoted market prices available for the shares of Pure Sunfarms.

14. RELATED PARTY TRANSACTIONS

With Emerald Health Sciences Inc.

Emerald Health Sciences Inc. (“Sciences”) charged the Company \$1,050,000 during the three months ended March 31, 2018 (March 31, 2017 - \$170,471) for services related to financing, business development, investor relations and acquisition activities, in accordance with the amended management agreement. Sciences charged the Company \$Nil during the three months ended March 31, 2018 (March 31, 2017 - \$105,717) for invoices paid on behalf of the Company. As of March 31, 2018, the Company owed \$Nil (December 31, 2017 - \$125,486) to Sciences, this amount is included in the due to related parties caption on the condensed interim consolidated statements of financial position and is non-interest bearing. As of March 31, 2018, Sciences owed the Company \$17,491 for invoices paid on behalf of Sciences, this amount is included in the due from related parties caption on the condensed interim consolidated statements of financial position.

During the three months ended March 31, 2018 Sciences exercised 4,077,687 warrants at a price of \$0.27 per warrant for total gross proceeds to the Company of \$1,100,975.

As of March 31, 2018, Sciences held an aggregate of 45,234,2425 shares, representing 37% of the issued and outstanding common shares of the Company (“Common Shares”) and it held 4,411,764 common share purchase warrants of the Company.

With the Company’s joint venture

As of March 31, 2018, Pure Sunfarms owes the Company \$754,124 (December 31, 2017 - \$324,674) for expenditures made on behalf of the joint venture. This amount is included in the due from related parties caption on the condensed interim consolidated statements of financial position and is non-interest bearing.

With a company controlled by the Company’s Executive Chairman

During the year ended December 31, 2017, the Company entered into a 30-year lease with a company (the “Landlord”) that is controlled by Dr. Avtar Dhillon, the Executive Chairman of the Company with respect to land in Metro Vancouver, British Columbia on which the Company is constructing its new production facility. During the three months ended March 31, 2018, the Company paid to the Landlord \$83,235 (March 31, 2017 - \$Nil) in rent and a \$60,000 damage deposit. The Landlord also charged the Company \$25,720 during the three months ended March 31, 2018 (March 31, 2017 - \$Nil) for services related to construction of the Company’s new facility. As of March 31, 2018, the Company owed \$23,815 (December 31, 2017 - \$77,244) to the Landlord, this amount is included in the due to related parties caption on the condensed interim consolidated statements of financial position and is non-interest bearing.

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

The Company holds 1,666,667 common shares and 1,666,667 common share purchase warrants of VANC Pharma as described in Note 12. The CEO of VANC is also a director of the Company.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management including the Executive Chairman, the President, the Chief Executive Officer, and the Chief Financial Officer, includes the following expenses recognized during the period:

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	\$	\$
Wage and short-term benefits	219,420	158,348
Share-based payments (Note 15)	949,773	44,660
	1,169,193	203,008

Included in the due to related parties caption on the Consolidated Statements of Financial Position at March 31, 2018 is \$57,560 (December 31, 2017 - \$44,775) due to related parties with respect to key management personnel and expense reimbursements and are non-interest bearing.

In the event that senior key management employment agreements are terminated by the Company, other than for just cause, such officers are entitled to a minimum severance amount equal to six months of salary.

These transactions are in the normal course of the operations on normal commercial terms and conditions.

15. SHARE CAPITAL

Authorized

- Unlimited number of Common Shares without par value
- Unlimited number of preferred shares without par value, issuable in series

Issued

- 121,485,612 Common Shares (December 31, 2017 – 106,787,226)
- Nil preferred shares (December 31, 2017 - Nil)

During the three months ended March 31, 2018 the outstanding share capital increased by 14,698,386 Common Shares due to the following transactions:

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- A prospectus offering (the “January 2018 Offering”) completed January 8, 2018, for 3,000,000 units of the Company at a price of \$5.00 per unit, for gross proceeds of \$15,000,000. Each unit consisted of one Common Share and one common share purchase warrant of the Company, with each warrant entitling the holder to acquire an additional Common Share at an exercise price of \$6.00 for a period of 36 months from the closing date;
- A prospectus offering completed February 9, 2018, for 3,000,000 units of the Company at a price of \$6.00 per unit, for gross proceeds of \$18,000,000. Each unit consisted of one Common Share and one common share purchase warrant of the Company, with each warrant entitling the holder to acquire an additional Common Share at an exercise price of \$7.00 for a period of 6 months from the closing date;
- A total of 4,077,687 warrants were exercised at an exercise price of \$0.27 for gross proceeds of \$1,100,975;
- A total of 443,350 warrants were exercised at an exercise price of \$2.00 for gross proceeds of \$886,700;
- A total of 718,826 warrants were exercised at an exercise price of \$2.60 for gross proceeds of \$1,868,948;
- A total of 3,000,000 warrants from the January 2018 Offering were exercised at an exercise price of \$6.00 for gross proceeds of \$18,000,000; and
- A total of 458,523 stock options were exercised ranging in exercise price from \$0.40 to \$1.853 for gross proceeds of \$387,727.

Share based payments

The Board of Directors has the discretion to determine to whom options will be granted, the number and exercise price of such options and the terms and time frames in which the options will vest and be exercisable. The exercise price of the options must be no less than the closing market price of the Common Shares on the day preceding the grant.

	Number of Options	Weighted Average Exercise Price
		\$
Balance at December 31, 2016	5,758,200	0.53
Granted	5,905,000	2.67
Forfeited	(270,836)	1.38
Exercised	(1,531,250)	0.73
Balance at December 31, 2017	9,861,114	1.76
Granted	695,000	5.74
Exercised	(458,523)	0.84
Balance at March 31, 2018	10,097,591	2.07

During the three months ended March 31, 2018, the Company granted 695,000 stock options to employees and consultants. The stock options granted had exercise prices between \$5.21 and

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\$6.68, have expiry dates of five years and vest over three years. The fair values of the stock options were determined to be between \$2.73 and \$3.51.

The fair values of the options granted during the three months ended March 31, 2018 and 2017 were determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	March 31 2018	March 31 2017
Risk free interest rate	1.73% - 1.99%	0.74% - 0.87%
Expected life of options (years)	3	1-3
Expected annualized volatility	80%	80%
Expected dividend yield	Nil	Nil
Weighted average Black-Scholes value of each option	\$ 3.01	\$ 0.53

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have similar trading and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

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Incentive stock options outstanding and exercisable at March 31, 2018 are summarized as follows:

Exercise price	Quantity	Remaining contractual life (years)	Outstanding		Exercisable	
			Weighted average exercise price	Quantity	Weighted average exercise price	Quantity
\$			\$		\$	
0.175	141,673	2.95	0.175	50,006	0.175	
0.335	210,000	3.40	0.335	210,000	0.335	
0.400	625,000	1.43	0.400	625,000	0.400	
0.410	10,000	1.82	0.410	10,000	0.410	
0.450	1,500,000	2.07	0.450	1,500,000	0.450	
0.550	110,000	1.67	0.550	110,000	0.550	
0.720	1,722,718	3.50	0.720	1,160,218	0.720	
1.160	27,224	4.17	1.160	1,946	1.160	
1.180	200,000	4.25	1.180	100,000	1.180	
1.190	87,500	4.42	1.190	16,667	1.190	
1.210	43,055	4.35	1.210	4,166	1.210	
1.220	787,223	4.11	1.220	235,140	1.220	
1.270	100,000	4.47	1.270	25,000	1.270	
1.290	500,000	4.51	1.290	125,000	1.290	
1.380	116,672	3.88	1.380	38,547	1.380	
1.420	127,776	4.07	1.420	23,609	1.420	
1.470	150,000	4.54	1.470	18,750	1.470	
1.510	50,000	0.79	1.510	50,000	1.510	
2.330	250,000	4.63	2.330	62,500	2.330	
4.250	2,643,750	4.73	4.250	656,250	4.250	
5.210	175,000	4.76	5.210	43,750	5.210	
5.670	225,000	4.82	5.670	56,250	5.670	
5.690	150,000	4.99	5.690	37,500	5.690	
5.850	25,000	4.97	5.850	6,250	5.850	
6.680	120,000	4.87	6.680	30,000	6.680	
	10,097,591	3.72	2.072	5,196,549	1.278	

The Company recorded share-based compensation expense related to the incentive stock options of \$1,470,224 for the three months ended March 31, 2018 (March 31, 2017 - \$201,186) The expense has been charged to the condensed interim consolidated statements of loss and comprehensive loss.

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Restricted share units

The Board of Directors has the discretion to determine to whom restricted share units (“RSUs”) will be granted, the number granted, and the terms and time frames in which the RSUs will vest and be settled.

	Number of RSUs	Weighted average fair value per unit at issue
		\$
Balance at December 31, 2016	-	-
Granted	825,000	3.73
Settled	-	-
Balance at December 31, 2017	825,000	3.73
Granted	5,000	5.67
Settled	-	-
Balance at March 31, 2018	830,000	3.74

During the three months ended March 31, 2018, the Company issued 5,000 RSUs to an employee, which vest on January 12, 2019 and settle in Common Shares. The Company recorded share-based compensation expense related to the RSUs of \$483,823 for the three months ended March 31, 2018 (March 31, 2017 - \$Nil) to the condensed interim consolidated statement of loss and comprehensive loss.

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16. WARRANTS

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance at December 31, 2016	8,489,451	0.57
Issued in February 2017	5,117,500	2.00
Issued in April 2017	7,572,750	2.60
Issued upon exercise of compensation units	153,525	2.00
Issued upon exercise of compensation units	219,526	2.60
Exercised	(11,845,075)	2.36
Balance at December 31, 2017	9,707,677	0.80
Issued in January 2018	3,000,000	6.00
Issued in February 2018	3,000,000	7.00
Exercised	(8,239,863)	2.65
Expired	(56,050)	2.28
Balance at March 31, 2018	7,411,764	3.34
Expire:		
November 2021	4,411,764	0.85
August 2018	3,000,000	7.00
Balance at March 31, 2018	7,411,764	3.34

17. COMMITMENTS

Operating leases

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

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	Remainder of						
	2018	2019	2020	2021	2022	2023	Thereafter
	\$	\$	\$	\$	\$	\$	\$
Production facilities	152,601	183,230	52,403	31,113	2,593	-	-
Office space	71,820	95,760	39,900	-	-	-	-
Temporary housing	24,300	2,700	-	-	-	-	-
Land (Note 12)	240,000	320,000	320,000	320,000	320,000	320,000	7,440,000
Total	488,721	601,690	412,303	351,113	322,593	320,000	7,440,000

During the year ended December 31, 2017, the Company entered into agreements for the supply of material and labour to build greenhouses. The Company committed to payments of \$2,239,686 during the remainder of the year ended December 31, 2018.

18. FINANCIAL INSTRUMENTS

The classification of the Company's financial instruments, as well as their carrying amounts and fair values, are as follows:

	March 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	\$	\$	\$	\$
Financial Assets				
<i>FVTPL</i>				
Long-term investment	401,306	401,306	666,667	666,667
<i>Amortized cost</i>				
Cash and cash equivalents	89,503,515	89,503,515	44,523,145	44,523,145
Accounts receivable	162,019	162,019	91,822	91,822
Due from related parties	771,615	771,615	324,674	324,674
Refundable deposits	196,391	196,391	196,391	196,391
Financial Liabilities				
<i>Amortized cost</i>				
Accounts payable and accrued liabilities	1,183,218	1,183,218	1,378,645	1,378,645
Payable to joint venture	2,000,000	2,000,000	4,000,000	4,000,000
Due to related parties	81,375	81,375	247,505	247,505

The carrying value of the cash and cash equivalents, accounts receivable (excluding statutory receivable balances), due from related parties, accounts payable and accrued liabilities and amounts due to related parties, approximate the fair value because of the short-term nature of these instruments.

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Fair value hierarchy financial instruments recorded at fair value at the statement of financial position dates are classified using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.

Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

The Company's financial instruments that are recorded at fair value are presented in the following table:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
As at March 31, 2018	\$	\$	\$	\$
Financial Assets				
Long-term investments	291,666	109,640	-	401,306
As at December 31, 2017				
Financial Assets				
Long-term investments	500,000	166,667	-	666,667

19. SEGMENT INFORMATION

The Company operates in three reportable segments: *Emerald Health Therapeutics, Inc.* - corporate administration and branding and marketing, *EHTC* - the production and sale of medical cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations; and *Northern Vine* - laboratory services. As at March 31, 2018 and December 31, 2017, all of the Company's operations and assets are located in Canada. A summary and reconciliations of the reportable segments are provided below:

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	Emerald Health Therapeutics, Inc.	EHTC	Northern Vine	Total
	\$	\$	\$	\$
For the three months ended				
March 31, 2018				
Sales	-	370,418	2,800	373,218
Interest revenue	250,064	-	-	250,064
Loss from operations	(3,789,300)	(649,332)	(474,375)	(4,913,007)
Net loss and comprehensive loss	(3,804,596)	(951,126)	(289,698)	(5,045,420)
Share of loss from joint venture	-	(301,793)	-	(301,793)
For the three months ended				
March 31, 2017				
Sales	-	201,268	-	201,268
Loss from operations	(729,029)	(476,829)	-	(1,205,858)
Net loss and comprehensive loss	(729,029)	(476,829)	-	(1,205,858)

20. SALES

A summary of the Company's sales by product line is provided in the table below:

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Dried Cannabis	152,251	162,336
Cannabis Oils	213,872	37,346
Other	7,095	1,586
Total	373,218	201,268

21. EVENTS AFTER THE REPORTING PERIOD

Emerald Health Naturals, Inc.

On April 17, 2018 the Company entered into a binding agreement with Emerald Health Biocuticals, Inc. ("EHB"), 1160305 BC Ltd., GAB Innovations, Inc. and Dr. Gaetano, a director of Sciences with respect to Emerald Health Naturals ("EHN"). The Company will invest \$5,000,000 for 51% ownership of EHN and EHB will grant EHN the exclusive Canadian distribution rights to EHB's product line for 49% ownership of EHN. EHB's product line consists of nutritional supplements, which use non-cannabis, non-psychoactive plant-based ingredients to provide potentially beneficial support to the body's endocannabinoid system.

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Supply Agreement with Pure Sunfarms Corp.

On April 30, 2018 the Company entered into a supply agreement with PSF whereby the Company will purchase 40% of PSF's production in 2018 and 2019 at a pre-determined price per gram.

Purchase of Licensed Producer

On May 2, 2018 the Company acquired 100% of the issued and outstanding shares of 8611165 Canada Inc. and its affiliate 9353-8460 Quebec Inc. (together "Agro-Biotech") for total consideration of \$90 million, subject to adjustment, payable 50% in cash and 50% in Common Shares (the "Purchase Price"). The Company paid \$22.5 million in cash upon closing and \$45 million was satisfied by the issuance of 9,911,894 Common Shares of which 4,955,947 Common Shares will be held in escrow until May 1, 2019 pursuant to an escrow agreement. The remaining \$22.5 million in cash is payable on May 1, 2019.

Agro-Biotech is a Licenced Producer under the Access to Cannabis for Medical Purposes Regulations. Located in Saint-Eustache, Quebec. Agro-Biotech's assets include land and a 75,000 square foot indoor grow facility.

The transaction will be accounted for as a business combination. Due to the recent closing of the acquisition, the fair value determination and the initial purchase price allocation for the business combination have not been completed, and certain disclosures have not been provided.

On February 21, 2018 Agro-Biotech and its former shareholders entered into a non-binding letter of intent ("LOI") with Pivot Pharmaceuticals Inc. ("Pivot") for the potential sale of Agro-Biotech. The parties were unable to agree to final terms and the LOI was terminated. On April 24, 2018 Agro-Biotech was served a statement of claim (the "Claim") from Pivot which alleges that Agro-Biotech and its former shareholders failed to negotiate in good faith. Pivot is seeking damages of \$72.4 million. The Company believes that the Claim is without merit and intends on defending the itself to the fullest extent possible.

No amount has been accrued in these financial statements in respect of the Claim. Any costs ultimately assessed against the Company in respect of this Claim and will be recorded in the period in which actual determination of the liability, if any, is made.

Private placement offering

On May 22, 2018, the Company closed a private placement offering to a single Canadian institutional accredited investor (the "Investor") of 4,000,000 units at a price per unit of \$4.20 for gross proceeds of \$16,800,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of 18 months at a price of \$5.20 per warrant with an expiry date of November 22, 2019. In the event that the closing price of the Company's common shares on the TSX Venture Exchange is greater than \$6.50 per common share for a period of 20 consecutive trading days at any time after the closing of the prospectus sale, the Company may accelerate the expiry date of the warrants by giving notice to the Investor and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

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Northern Vine Labs

On May 15, 2018, the Company exercised its right to purchase additional common shares of Northern Vine for \$2.75 million, increasing its ownership of Northern Vine to 65%. If the Company had increased its interest at the beginning of the year there would have been no change to revenue or net loss as Northern Vine is a consolidated subsidiary. The net loss attributable to the Company would have increased by \$35,004 and the net loss attributable to the non-controlling interest would have decreased by \$35,004.

Options granted subsequent to period end

Subsequent to March 31, 2018, the Company granted 50,000 options to purchase Common Shares at an exercise price of \$4.55 per share. These options vest over three years and expire April 6, 2023.