

# **Emerald Health Therapeutics, Inc. Reports 2021 Year-End Results and Corporate Update**

## **Company also provides bi-weekly MCTO status update**

Vancouver, British Columbia--(Newsfile Corp. - July 4, 2022) - Emerald Health Therapeutics, Inc. (CSE: EMH) (OTCQB: EMHTF) ("Emerald" or the "Company") has reported financial results for the year ended December 31, 2021, and an update on strategic corporate activities subsequent to year-end.

The Company continued to operate as a recreational and medical cannabis business in Canada throughout 2021. Details of these operations and results are provided in Emerald's audited financial statements and management discussion and analysis for the 12 months ended December 31, 2021, which are available on the Company's [website](#) and SEDAR.

On November 29, 2021, the Company announced that it intended to exit its prior business and pivot to a pharmaceutical development focus. It stated it intended to seek purchasers for its recreational and medical cannabis business assets to further strengthen its capital position and would initiate significant cost cuts, including the termination of the bulk of its workforce, to decrease its monthly net burn.

On December 21, 2021, the board of directors of Emerald (the "Board") engaged Vantage Point Advisors, Inc. ("Vantage Point") of San Diego, California to carry out a thorough review of companies in Canada and the United States engaged in the pharmaceutical development of cannabinoid-derived product candidates that may be interested in carrying out a strategic merger with the Company to facilitate the Company's transition from the recreational and medical cannabis business. The Board asked Vantage Point to focus on this sector as the Board has significant experience, and numerous contacts, in the areas of cannabinoid science and pharmaceutical development.

### **Events Subsequent to the Reporting Period**

#### *Strategic process*

Early in 2022, Vantage Point identified and analysed 21 companies and presented a short list of ten companies to the Board. Pursuant to discussions between Vantage Point and the Board, the short list was decreased to seven companies and Vantage Point reached out to each of these companies to determine whether there was interest in a strategic transaction with the Company. In Q1 2022, the Board met with and carried out initial due diligence with respect to several potential targets. The Board conducted an initial due diligence review and financial analysis of all the targets with the assistance and advice of Vantage Point.

#### *Proposed plan of arrangement*

As a result of the strategic process described above, on May 11, 2022, the Company entered into an arrangement agreement (the "Arrangement Agreement") with Skye Bioscience Inc. ("Skye") with respect to a transaction to be completed by way of a Plan of Arrangement (the "Arrangement") whereby Skye would acquire all the issued and outstanding shares of the Company. Under the Arrangement, Skye will issue the Company's shareholders 1.95 shares of Skye's common stock (the "Exchange Ratio") in exchange for each Company share. Skye is a San Diego-based pharmaceutical company developing proprietary, synthetic cannabinoid derivatives to treat glaucoma and other diseases with significant unmet needs and is listed on the OTCQB under the symbol SKYE.

Based on the number of outstanding shares as of the date of the Arrangement Agreement, it is expected that Skye would issue approximately 416M Skye shares to the Company's shareholders. Upon the closing of the Arrangement, current Skye stockholders would own approximately 54% of the common

stock of Skye and former shareholders of the Company would own approximately 46% of Skye's common stock. All stock options and warrants of the Company will be exchanged for replacement options and warrants of Skye on identical terms, as adjusted in accordance with the Exchange Ratio.

Each of the Board of Directors of the Company and Skye unanimously approved the Arrangement and recommend that their respective shareholders vote in favour of the Arrangement. Evans & Evans, Inc. has provided an opinion to the Board of Directors of the Company stating that as of the date of the opinion and based upon and subject to the assumptions, limitations, and qualifications set forth therein, the Exchange Ratio to be received by the holders of the Company's common shares pursuant to the Arrangement is fair from a financial point of view to such holders.

The proposed Arrangement is subject to approval by each company's common shareholders and by the Supreme Court of British Columbia. Completion of the Arrangement is subject to other customary terms and conditions and to listing Skye's common shares on the CSE. The Company expects to hold a shareholder meeting to approve, among other matters, the Arrangement on August 19, 2022, and the Arrangement is anticipated to close in the third quarter of 2022.

#### *Discontinuation and realization of prior operations*

Since January 1, 2022, the Company has focused on winding down its prior operations in a manner intended to reduce operating costs.

At its Victoria, BC operation, the lease on one of the Company's facilities expired on February 28, 2022, and the lease for the remaining facility expired on May 31, 2022. The Company continues to rent both facilities on a month-to-month basis in order to maintain its Health Canada-issued license under the Cannabis Act to produce and sell cannabis products. The Company fully wound down all operations at the Victoria facilities as of June 1, 2022. The Company is pursuing the sale of its licenses, brands and processing equipment in relation to its Victoria locations.

At its St. Eustache, QC operation, growing and processing of cannabis continued until June 30, 2022. In the first quarter of 2022, the Company retained agents to assist in the sale of the cannabis production operation as a continuing operation. The Company has not yet entered into a binding sale agreement with respect to this facility and the selling process is ongoing.

Throughout the discontinuation process, the Company retained its cannabis sales agreements with the various provinces and continued to sell newly produced and inventoried cannabis dried flower and oils at a reduced volume until June 30, 2022.

On April 14, 2022, the Company entered into an agreement with the landlord for its Metro Vancouver greenhouse facility under which the lease obligation related to the facility, which extends to 2047, would be terminated effective December 31, 2022, in exchange for transfer to the landlord of the non-leased equipment owned by the Company at the site facility. The Company also has an option to terminate early.

On April 28, 2022, the Company entered into an amending agreement with FlowerPod LLC, amending the December 28, 2021, binding term sheet payment schedule to US\$0.75 million on closing and a US\$0.75 million promissory note bearing 10% interest per annum. The Company continues to retain the two-year interest-bearing promissory note issued by FlowerPod on May 6, 2021, in the amount of US\$0.35 million.

#### **Selected Financial Information**

The financial information presented for the years below was derived from financial statements prepared in accordance with IFRS and is expressed in Canadian dollars.

<b>Reported in (000s)</b>	<b>2021 (\$)</b>	<b>2020 (\$)</b>
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Total revenue	11,896	14,261
Net loss attributable to the Company	(39,406)	(42,952)
Net loss per share (basic and diluted)	(0.19)	(0.22)
Total assets	40,892	98,274
Total liabilities	7,242	26,168
Cash & cash equivalents	18,512	25,998

## Bi-weekly MCTO Status Update

The Company is also providing a default status report in accordance with the alternative information guidelines set out in National Policy 12-203 -- Management Cease Trade Orders.

On April 28, 2022, the Company announced that it had applied for a management cease trade order ("MCTO") with the British Columbia Securities Commission on the basis that the Company would be unable to file its annual financial statements and management discussion and analysis for the year ended Dec. 31, 2021, by the applicable filing deadline. The MCTO was issued on May 3, 2022, and restricts all trading in securities of the Company, whether direct or indirect, by certain insiders of the Company.

The Company's audited financial statements and management discussion and analysis for the 12 months ended December 31, 2021, were filed on June 30, 2022. In accordance with the terms of the MCTO, the Company is also required to file its interim financial statements for the period ended March 31, 2022, no later than five business days after completion of the annual filings.

The Company confirms that since the date of the original announcement: (i) other than stated above with respect to the anticipated completion date of the annual filings, there has been no material change to the information set out in the original announcement; (ii) there has been no failure by the company in fulfilling its stated intentions with respect to satisfying the provisions of the alternative information guidelines set out in NP 12-203; (iii) there has not been any other specified default by the company under NP 12-203; and (iv) there is no material information concerning the affairs of the company that has not been generally disclosed.

The Company confirms that it will continue to satisfy the provisions of the alternative information guidelines set out in NP 12-203 so long as it remains in default of the requirement to file the annual filings.

Emerald expects to report financial statements and its management discussion and analysis for the three months ended March 31, 2022, by July 8, 2022.

Please visit [www.emeraldhealth.ca](http://www.emeraldhealth.ca) for more information or contact:

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

*Cautionary Note Regarding Forward-Looking Statements: Certain statements made in this press release that are not historical facts are forward-looking statements and are subject to important risks,*

*uncertainties and assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. Such statements include, but are not limited to: the timing for the meeting of the shareholders of the Company to approve the Arrangement, the anticipated closing of the Arrangement, the continued wind down of the Company's cannabis operations, the sale of the Company's licenses, brands and processing equipment in relation to its Victoria, BC locations, the sale of its facilities in St. Eustache, QC, the termination, including the early termination option, of the lease for the Company's Metro Vancouver greenhouse and the timing for the filing of the Company's financial statements and management discussion and analysis for the three months ended March 31, 2022.*

*We cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. Such statements are subject to the risks that the Company may not obtain the necessary consents and approvals or satisfy the necessary conditions precedent to complete the Arrangement, that the Company may not be able to enter into agreements to sell its assets in Victoria, BC or St. Eustache, QC at all or on terms that are acceptable to the Company and that it may not file its financial statements and management discussion and analysis within the time period stated as well as the risk factors described in Emerald's annual financial statements, management's discussion and analysis and other regulatory filings. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control.*

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



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