



## **Emerald Health Therapeutics Signs Term Sheet to Access Large-Scale Extraction, Softgel Production, and New Product Development Capabilities Through Strategic Alliance with Factors Group of Nutritional Companies**

**Collaboration with natural health products leader positions Emerald with industry-leading manufacturing for value-added cannabis products, a significant growth opportunity in the legal medical and adult-use cannabis market**

**Emerald and Factors will also develop products supporting the endocannabinoid system for natural health products market**

VICTORIA, British Columbia, August 27, 2018 – Emerald Health Therapeutics, Inc. (TSXV:EMH; OTCQX:EMHTF) (“Emerald”) today announced that it has signed a term sheet to form a strategic alliance with Factors R&D Technology, Inc. (“FTI”), a division of Factors Group of Nutritional Companies Inc. In this exclusive arrangement, FTI will provide to Emerald pharmaceutical-grade, industrial-scale manufacturing capacity as well as expertise in GMP-level extraction, softgel production, and packaging focused on the rapidly emerging market opportunities for medicinal cannabis in Canada and internationally. This collaboration leverages the Factors Group’s decades of experience in product development, formulation and innovation.

Factors Group is Canada’s largest nutritional supplement marketer and manufacturer and has over 1 million square feet of production facilities, R&D, and quality control laboratories and distribution centres. Factors Group has established deep roots and relationships in Canada and worldwide in the nutrition industry. Factors Group is unique in its vertically-integrated farm-to-retail supply chain abilities. FTI markets and sells its products under multiple brands.

Through this strategic alliance, FTI will initially provide Emerald with access to a facility with operating extraction infrastructure capable of processing up to 1 million kg of biomass annually and softgel production capacity of up to 600 million capsules per year. FTI will also provide technology transfer of its extraction methods and production protocols to allow Emerald to establish a future production and manufacturing facility closer to its cultivation facilities. Emerald has agreed to pay an initial \$5 million fee to FTI to cover the costs of completing the unique extraction methods for Emerald, carrying out renovations necessary to comply with the Access to Cannabis for Medical Purposes Regulation (“ACMPR”), and the tech transfer.

“This strategic alliance with FTI will provide us industry leading expertise and capacity through FTI’s proprietary phytochemical extraction technology. Accessing FTI’s infrastructure will allow us to dramatically shorten our commercial ramp-up from years to a few months, allowing us to leapfrog competitors attempting to build out their own extraction and encapsulation facilities,” said Dr. Avtar Dhillon, Executive Chairman of Emerald.

“We are activating multiple strategic options to ensure we have significant supply of raw cannabinoid inputs, and we now add FTI’s decades of experience in extracting bioactive compounds from plants in the highly regulated nutraceutical industry. With proven and reliable large-scale production of high-grade value-added cannabis products in place, we have significantly reduced the risks of scaling new manufacturing, quality assurance issues and product recalls that could be expected when going through such operational scaling and the associated learning curve. FTI gives us a distinct advantage in a market where rapid growth in consumer demand is expected to evolve toward high quality products that deliver precise, consistent dosing and other well-characterized attributes. This is a game-changer for Emerald, the Canadian medicinal cannabis industry and, most importantly, our customers.”

“We are scientifically, clinically, and ethically aligned with FTI and this alliance represents an ideal match,” said Chris Wagner, CEO of Emerald. “In the natural health products industry, FTI is unequivocally the largest and most experienced extractor of phyto-chemicals from plants in Canada. Working with one of the industry’s leaders to produce efficacious, high quality extraction-based products makes great business sense for us. In addition, our own marketing research identified that 60% of current legal cannabis users also use natural health products. This alliance will also allow us to strategically lay down valuable groundwork with product development and marketing initiatives that will uniquely position us to serve natural health product consumers.”

The term sheet also provides that FTI will enter into an exclusive agreement with Emerald Health Naturals (“EHN”), the joint venture of Emerald and Emerald Health Bioceuticals. This will enable the companies to collaborate on product innovation, marketing, and distribution strategies to provide a range of products containing cannabinoids, where legal, and other herbal formulations to support the human endocannabinoid system to the Canadian and global health products market. The collaboration will initially focus on manufacturing, distribution, and sales of EHN’s current product line. As part of this arrangement, EHN will issue shares to FTI representing 25% of its issued share capital.

“As a naturopathic doctor, I have recommended FTI and its brands for decades because of their high integrity, focus on quality, extensive testing to assure label claims, and dedication to scientific research,” said Dr. Gaetano Morello, CEO of EHN. “Having entrusted my patients to FTI products over the years, I am delighted to be joining forces to develop and sell additional products through FTI’s well-established sales channels and extensive shelf presence. We now have the near-term opportunity to offer new formulations and delivery approaches, including the use of softgels, with consistent, easy-to-consume doses of medicinal cannabinoids.”

FTI has been closely watching the development of the emerging medicinal cannabis sector. After careful consideration and market analysis, FTI is confident that Emerald is the leader in medicinal cannabis product development, that its commitment to high quality research in this field is unmatched, and that Emerald represents the best possible fit for FTI.

The term sheet is non-binding and the strategic alliance is subject to the negotiation and execution of definitive agreements. The strategic alliance and related activities are also subject to obtaining all necessary regulatory approvals.

### **About Factors R&D Technology, Inc. (FTI)**

FTI is the research, development and technology subsidiary of Factors Group Inc.

## **About Factors Group Inc.**

The Factors Group is Canada's leader in the development, formulation and manufacture of nutritional supplements for the health products market. For more than 50 years, the company has supplied North American consumers with vitamin, mineral, herbal and specialty supplements.

The Factors Group has over 1 million square feet of manufacturing and production facilities, laboratories, distribution centers, and extensive warehouses. Its manufacturing capabilities include softgel and two-piece hard-shell encapsulation, tableting, liquid and powder extraction, multi-ingredient aqueous granulations, and a liquid fill line. The Factors Group sells its nutritional products in over 50 countries around the world.

The Factors Group is one of the only nutritional companies to have its own organic farms, its own extraction, encapsulation, and production facilities, its own labs and research facilities, and a vast network of academic, scientific, and retail partners.

## **About Emerald Health Therapeutics, Inc.**

Emerald Health Therapeutics (TSXV: EMH; OTCQX: EMHTF; Frankfurt: TBD) is licensed in Canada to produce and sell dried cannabis and cannabis oil for medical purposes. Emerald is preparing to serve the fully legalized Canadian adult-use cannabis market starting October 17, 2018. Emerald owns 50% of Pure Sunfarms, which is converting a licensed existing 1.1 million square foot greenhouse in Delta, BC and is now in commercial production. It owns Agro-Biotech, a Québec-based licensed cannabis grower with a 75,000 square foot indoor facility and is planning to add a 500,000 square foot greenhouse in Metro Vancouver. Emerald's team is highly experienced in life sciences, product development, large-scale agri-business, and marketing, and is focused on developing value-added cannabis-based products with potential wellness and medical benefits. Emerald is part of the [Emerald Health group](#), which is broadly focused on developing pharmaceutical, botanical, and nutraceutical products that may provide wellness and medical benefits by interacting with the human body's endocannabinoid system.

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*expansion and consumer demand; licensing of facilities; production capacity of facilities; and distribution of products through retail channels.*

*We cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements involve risks and uncertainties related to, among other things, failure to negotiate and execute definitive agreements; failure to obtain regulatory approvals; failure to obtain necessary financing; results of production and sale activities; results of scientific research; regulatory changes; changes in prices and costs of inputs; demand for labour; demand for products; manufacturing difficulties; as well as the risk factors described in the Company's annual information form and other regulatory filings. The forward-looking statements contained in this press release represent our expectations as of the date hereof. Forward-looking statements are presented for the purpose of providing information about management's current expectations and plans and allowing investors and others to obtain a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The Company undertakes no obligations to update or revise such statements to reflect new circumstances or unanticipated events as they occur, unless required by applicable law.*